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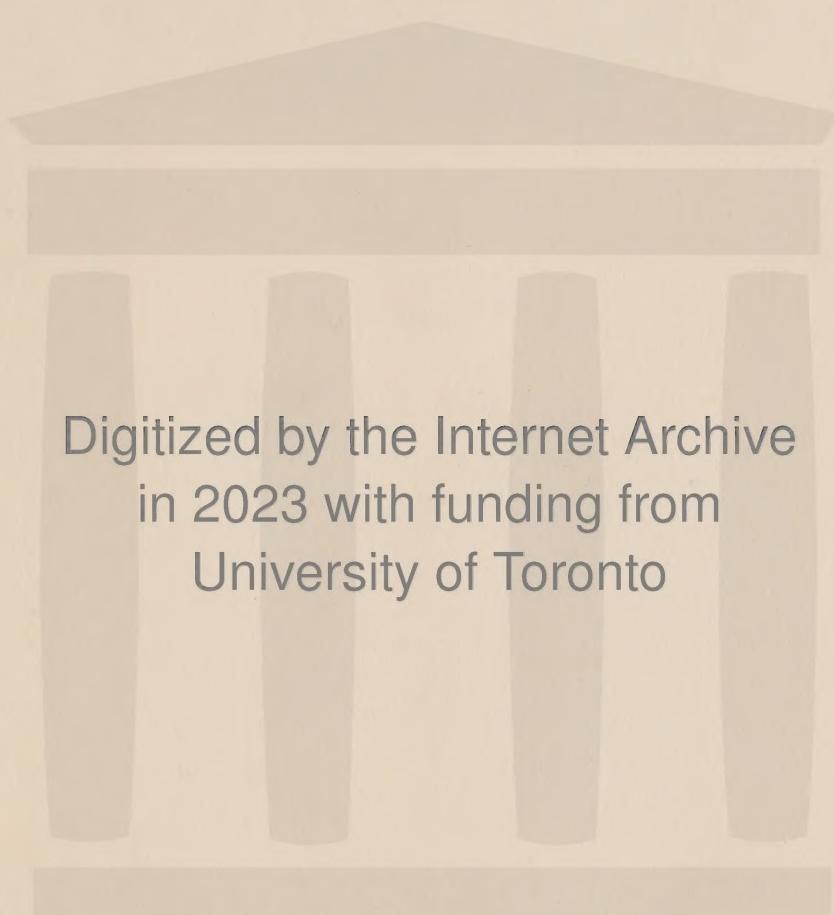
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ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

Mrs W R Walton

HEARINGS

HELD AT

REGINA,
SASK.

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ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Commission on Price Spreads of Food Products resumed at 10 a.m. on Monday, April 21st, 1958, at Regina, Sask., et seq.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

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Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John Dawson

Assistant-Secretary

A. A. Caron



APPEARANCES:

Government of Saskatchewan	1126
Hon. I. C. Nollett	
W. H. Horner	
W. G. Doherty	
Charles Schwartz	
Department of Agriculture, Province of Saskatchewan, (Hogs and Eggs)	1225
W. H. Horner	
Milk Control Board	1249
J. E. Ridley	
C. L. Baker	
Saskatchewan Fish Marketing Services	
W. A. Houseman	
A. F. Corney	
Saskatchewan Wheat Pool	1304
A. R. Stevens	
W. J. Ball	
I. M. Mumford	
Canadian Association of Consumers (Saskatchewan Branch)	1326
Mrs. H. C. Boughton	
Dr. E. M. Brisbin	
Prince Rupert Fishermen's Co-operative Association	1338
K. F. Harding	



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SUBMISSION OF
GOVERNMENT OF SASKATCHEWAN

Appearances:

Hon. I.C. Nollett	- Minister of Agriculture
W.H. Horner	- Deputy Minister, Department of Agriculture
W.G. Doherty	- Attorney-General's Department
Charles Schwartz	- Economic Advisory and Planning Board

THE CHAIRMAN: If you will come to order, we will open the hearings of the Royal Commission on Price Spreads of Food Products in the Province of Saskatchewan.

At our opening session in Vancouver, we put on the record certain procedures which the Commission will follow in regard to hearings. If there is any information which anybody wishes on these matters, the information may be obtained from Mr. John Dawson, the Secretary of the Commission.

The first brief is to be presented on behalf of the Government of the Province of Saskatchewan. I believe that the Minister, Mr. Nollett is here for purposes of presentation of this brief. We will be glad to hear from you now.

May I say we are very happy to be in the province. We appreciate the hospitality which has been prepared for us here, and the welcome which we have received.



We are very grateful to the province for coming forward with this submission, Mr. Nollelt. Will you now present it? Perhaps you would like to introduce your colleagues to us.

HON. MR. NOLLETT: Well, Mr. Chairman, I would like to reciprocate by extending to you, sir, and the Members of your Commission a most sincere welcome to this province and you can be assured that the information that we are endeavouring to provide the Commission with we hope will be of benefit to you in your deliberations and we hope too that as a result of the information that we have provided to you, you will be in a better position to make your recommendations to the Government in regard to policy decisions.

I had rather hoped, sir, that the Terms of Reference of the Commission would have been broader so have included the complete aspect with regard to the farm industry because, after all, farmers are vitally involved in connection with price increases in another direction relating to farmer's production costs.

However, these are not your Terms of Reference, and we will endeavour, in our presentation, to deal with this matter of price spreads in its broad aspects, rather than dealing with them in an isolated manner.

I think after the presentation, which I will make to you shortly, sir, there are some more specific submissions to be made by the Deputy Minister,



Mr. Horner, dealing with certain aspects of the problem.

Before I make my presentation to you, sir, the legal counsel, who is not in the traditional sense a legal counsel, is in attendance here and may be able to provide any technical information that may be required.

I think he has some observations to make before I proceed with the Government's submission, sir.

MR. DOHERTY: Mr. Chairman, Members of the Royal Commission --

THE CHAIRMAN: I wonder if we may have your name for the record?

MR. DOHERTY: My name is W.G. Doherty, sir.

THE CHAIRMAN: Thank you.

MR. DOHERTY: Mr. Chairman, Members of the Royal Commission on Price Spreads of Food Products: I have been privileged to have been chosen as counsel for the Saskatchewan Government in the presentation of material to the Commission. I just thought I would briefly outline the form that the presentations will take.

There will first be the main brief presented by the Honourable I.C. Nollett, the Minister of Agriculture and in the presentation of this brief he will be assisted by Mr. Horner, the Deputy Minister of Agriculture and Mr. Charles Schwartz, the Agricultural Economist. There will then be three supplementary submissions. First the submission



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Mr. Doherty

on price spreads of hogs and eggs presented by W.A. Horner, Deputy Minister of the Department of Agriculture. Secondly, a submission by the Saskatchewan Milk Board, presented by Mr. J.E. Ridley, Chairman of the Milk Control Board; and thirdly, a supplementary submission from the Saskatchewan Fish Marketing Services presented by Mr. W.A. Houseman, Chairman of the Marketing Services Board. He will be assisted by Mr. D.F. Corney, Manager of the Fish Marketing Board.

I would like now to call upon the Honourable Mr. I.C. Nollett to make the presentation of the main brief for Saskatchewan.

HON. MR. NOLLETT: Before going on, I thought perhaps the Commission would like to see the people that are here today with me and to recognize them by actually seeing them. I would therefore ask Mr. Ridley, Chairman of the Milk Control Board to stand up and Mr. Payne, the Poultry Commissioner. He is advisory.

Mr. Brinklebank, Director of the Plant Industry Branch and Mr. Campbell, the Assistant Poultry Commissioner.

That takes care of everyone as far as that group is concerned. Then I have Mr. Horner to my right and Mr. Schwartz to my left. That pretty well takes care of my own department. Then there is Mr. Fowler and Mr. W. Hamilton. That is about as far as my range of responsibility goes on the matter of introductions, sir.



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Hon. Mr. Nollett

I understand sir, that the presentations have been pretty informal, that questions are asked at times during the course of the reading of the brief. However you wish to handle this, sir, will be thoroughly satisfactory to us.

THE CHAIRMAN: We will probably not wish to interrupt you reading, but we may ask some questions afterwards.

HON. MR. NOLLETT: Thank you.

THE CHAIRMAN: Thank you.

Regina, Saskatchewan,
April 10, 1958

Mr. Andrew Stewart,
Chairman,
Royal Commission on Price Spreads of
Food Products,
Ottawa, Ontario.

Dear Mr. Stewart:

I am pleased to transmit to your Commission a brief setting forth the views of the Government of Saskatchewan on the problem of price spreads of food products.

We have noted the terms of reference of your Commission particularly that section which calls for an inquiry into "....the extent and causes of the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by consumers therefor". The attached brief, prepared co-



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operatively by the Economic Advisory and Planning Board, the Department of Agriculture and the Department of Co-operation, endeavours to probe the broad outlines of the problem as it affects consumers and farmers in Canada. Supplementary submissions, concerned with certain local aspects of price spreads, will be presented at the Commission's hearings by administrative agencies of the Provincial Government.

I trust that the information and expressions of opinion tendered on the occasion of the Commission's hearings in Regina will be of interest and help to your inquiry.

Yours faithfully,

(Signed T. C. Douglas,
Premier)



Introduction: The Province of Saskatchewan has a twofold interest in the question of price spreads on food products. We are concerned first of all with the relationship between price spreads and the cost of food to the consumer. Second, as the largest single "surplus" food producing province in Canada, we are vitally concerned with the relationship between price spreads and the shrinking returns which the farmer receives for his product.

The interests of consumers are best served when a wide variety of foods are available in abundance at reasonable prices. The price spread or marketing margin represents a cost to the consumer. The size of the price spread, therefore, is an important component of consumer living costs. Any increase in the spread tends to restrict consumption, either of food or of some other item of consumer goods. Among low income groups, for whom food makes up a large share of consumer expenditures, the effect is particularly severe. In general, then, consumers are interested in minimizing the cost to them of essential marketing services.

An increase in the price spread has even more serious consequences for the farmer. First, because he occupies an inferior bargaining position in the market, any increase in marketing margins tends to be reflected in a lower farm price for the product. And second, because of its restricting effect on consumption, such an increase also tends to reduce demand and lower the volume of marketings. This,



in turn, reinforces the downward pressure on farm prices. So the farmer, too, has a vital interest in minimizing the price spread.

Events since 1951, detailed in the section which follows, point up sharply this community of interest between farmer and consumer. During this period farm prices across Canada declined substantially, yet the consumer index of food prices at the end of 1957 was actually higher than it was in 1951. Consumers and farmers have both suffered as a result.

The present brief is confined to probing the broad, comprehensive outlines of the problem as it affects consumers and producers in Canada. Certain local illustrations will be presented in supplementary submissions by administrative agencies of the provincial government. This division is quite deliberate because, we believe, the policy questions involved are so fundamental that they deny the effectiveness of isolated piecemeal treatment of the problem.

In the sections which follow we first examine recent trends in price spreads, in consumers' food expenditures and in returns to farmers. We also consider certain factors related to marketing margins. We suggest certain areas which we believe it would be fruitful for the Commission to investigate. And finally, we summarize our conclusion and the policy objectives which, we suggest, should guide the Federal Government in its remedial action.



The Problem of Price Spreads: To define the problem of price spreads it is necessary to "take apart" consumer food prices and look at the components. The changes in the size and composition of the farm-retail spread over time are examined first. Then the relation of the spread to consumer food prices and to producers' returns is considered. Finally, certain related factors -- rigidity, integration, and efficiency -- are examined as they appear in the Canadian market structure.

As used in this brief, the term "farm-retail spread" means the difference between the retail price of a product and the payment to farmers for an equivalent quantity of farm products. In its essential aspects, consumer expenditure for food products is made up of two parts: (1) payments to farmers (or "farm prices"), which represent primarily returns for the production of raw materials used in food products; and (2) payments to agencies that assemble and process these raw materials and perform other functions to get food products to consumers in a particular form, time and place. It is the second series of payments which constitute the farm retail spread, also referred to as "marketing margin" or "marketing charge". In it are contained the payments received or charges made by all agencies performing services to consumers -- including local assembly of farm products, processing, storage, transportation, wholesaling and retailing.

The Farm-Retail Spread: An examination of



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average annual marketing margins for seven basic food products from 1935-1956 reveals that all have gradually increased (Table 1). It is not necessary to refer to them sir. Just to note them.

THE CHAIRMAN: Thank you.

HON. MR. NOLLETT: If there are any questions in connection with tables, I assume the Commission has examined these tables, then I have Mr. Schwartz on my left here who would be very pleased to clear up any question that might bear on the particular table.

Increases over the period ranged from 21 per cent for butter to 272 per cent for beef. There is no indication of any break in this general trend; in fact, the rate of increase in most cases has become greater since 1949-51.

With respect to the most recent period, additional data confirm the rapidity with which the spread is increasing. Table 2 shows a composite index for the marketing margins of 14 food products. Between 1949 and 1956, this index increased by almost 30 per cent.

To approach the spread from another direction: In 1956 the aggregate Canadian marketing margin for food products exceeded the gross returns to the farmers who produced them. The cost to Canadian consumers of food originating on Canadian farms in 1956 was approximately \$3 billion. Of this amount, the farmers received some 45 per cent, leaving a marketing bill of about \$1.6 billion. The gross



returns to Canadian farmers on domestic consumption thus were some \$300 million lower than the gross returns to marketing agencies.

To gain further insight into the factors underlying this expanding farm-retail spread, it is necessary to consider the costs which go into the marketing margin. The more important cost factors include the following: New or added services, labour costs, advertising and promotion, transportation, depreciation, taxes and profits. To what extent can we allocate the increase to one or more of these components? And then each are taken separately.

New or added services: There can be no doubt that the number and variety of services provided in the food marketing process have multiplied in recent years. The chain between farmer and consumer has been lengthened by pre-cooking, pre-mixing, freezing, eviscerating, packaging, and dozens more convenient operations. In the United States it is estimated that 28 cents out of each food dollar are spent for convenience items. The proportion in Canada is probably lower, but there is every indication we are hastening to catch up.

The ready acceptance of "built-in maid service" is attributable to several factors: (1) incomes have been increasing; (2) year by year a larger proportion of consumers live in urban settings where the convenience foods are readily available; and (3) a rising proportion of women, including wives, are joining the labour force.



It is argued that the added costs of these extra services have been offset, in large part by savings. Pre-packaging, for example, permits self-service, thus cutting retail labour costs. It also helps reduce spoilage of some products. Savings in transportation and storage may have some effect with respect to the processing of highly perishable products.

Nevertheless, the fact remains that each new service represents a cost to be added. While there are no conclusive data, it seems quite improbable that offsetting savings make any major dent in these new costs. This conclusion is reinforced by the rapid expansion of the food processing industry in Canada --an expansion which included \$577 million in new investment between 1949 and 1955 (Table 3). Added and refined services have almost certainly been a factor in increasing the farm-retail spread.

Labour Costs: Because labour costs constitute the largest single cost category in the processing and distributive industries, and because wage rates have risen, it is often assumed that a major share of the increase in the farm-retail spread can be attributed to rising labour costs per unit.

It is true that the number of employees in the food processing and distributing industry has steadily increased, and that the wage bill has gone up at an even faster rate. Table 4 shows that the number of employees in the food and beverage industry in Canada has doubled since 1935, and that



earnings per employee have increased nearly three times.

These figures alone, however, do not reveal anything about unit labour costs. When we examine productivity indicators, we find that value added per employee has increased even more rapidly than earnings. Referring again to table 4, earnings per employee in the food and beverage industry, in the decade 1945-1955, increased from \$1,438 to \$2,770 or 93 per cent. At the same time, value added per employee increased 96 per cent.

The increase in productivity is even more marked among some of Saskatchewan's major food processing industries (Tables 5 and 6). In the flour and feed milling industry, between 1945 and 1955, the average wage went up 92 per cent; the net value of production per worker rose 198 per cent. Slaughtering and meat packing shows a similar relationship: 110 per cent in earnings to 144 per cent in productivity.

It is clear that, in general, increases in labour productivity in food processing more than match increases in wage rates in the post-war period. It follows from this that labour costs per unit of service added cannot have increased appreciably. This in turn suggests that any increase in labour costs reflects primarily the addition of new services in the marketing process.

Two other observations are worthy of note in connection with labour costs. The first is that, despite increases since 1945, the average wage in



the food products industries remains below the average in manufacturing industries generally (Tables 8 and 9) and second, a general rise in labour income tends to offset the higher costs associated with it by increasing the effective demand for food.

Advertising and Promotion: Between 1944 and 1954, annual advertising expenditures in Canada, and I take it this means total advertising expenditures in Canada -- increased from slightly more than \$100 million to nearly \$400 million. Food marketing agencies -- particularly food processors -- have contributed to this rapid growth in expenditure. A survey of Canadian advertisers shows that in 1954 the food and beverage industry had one of the highest ratios of advertising expenditures to total sales -- 1.62 per cent. Only two other industrial groups exceeded this ratio.

The ratios for some product classes were considerably higher than the industry average. Breakfast foods, for example, commanded advertising budgets constituting almost 12 per cent of sales. In some cases, this cost exceeds the farm value of the grain in the package. I kind of had that made known to me this morning when I was eating breakfast.

Other product classes together with their ratios include: Distilled liquors, 3.50; macaroni and kindred products, 3.48; fruit and vegetable preparations, 3.01; bread and other bakery products, 1.28; and meatpacking, 0.45.

If we apply the industry average ratio of



1.62 per cent to the known sale value of products shipped by food and beverage firms in 1954, we arrive at an indicated advertising expenditure close to \$60 million. This figure, of course, does not include advertising by wholesale and retail distributors.

Even at the retail level, sales and promotion can have a significant impact on margins. Food stamp plans, for example, have been cited as increasing consumer costs -- and then there is a note:

"The facts are that stamps add from 2 to 3 per cent to a merchant's cost of doing business -- and the only way he can recover that cost is by charging higher prices for the food he sells."

Advertising and promotion costs do constitute a significant portion of the marketing margin. And, if food advertising costs have grown in proportion to the increase in expenditures for all advertising since 1944, they account for a growing share of the farm-retail spread.

The most pertinent question to raise in connection with advertising costs is the value of product differentiation to the consumer and the farmer. This aspect is commented on in a later section.

Transportation: In the United States transportation charges make up from 10 to 15 per cent of the farm retail spread, and it is reasonable to assume that the share in Canada is no lower. Certainly,



transportation costs have been rising in Canada during the post-war years. Eight general rate increases totalling 119.8 per cent were granted the railroads between 1948 and 1957. A further increase of 3.6 per cent is pending.

While the effect of transport costs on the retail price varies widely from product to product, increases in total are directly reflected in the farm retail spread.

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Depreciation: In recent years the food and processing industries have made extensive application of assembly line procedures, mainly through capital intensive investments. One result has been to make obsolescence a very real factor to be added to use depreciation. Customary depreciation allowances which consider only the use value and physical deterioration of plant and equipment are no longer adequate. The reduction in labour costs achieved through the installation of new equipment and changes in the layouts of plants, warehouses and stores are offset to some extent, of course, by the costs arising from such investments -- particularly maintenance and depreciation costs.

Taxes: There are strong indications that taxes have kept pace with the overall rate of increase in the marketing margin, if they have not, in fact, exceeded it. While no data are available for Canada, in the United States it is estimated that the aggregate tax share borne by food amounts to between 20 and 25 per cent of the total cost of



producing, processing and marketing food. The share in Canada may not be so high, nevertheless, two facts are clear: Taxes have increased in post-war years, and they do play an important role in the marketing sector.

Profits: Profits per unit of food sales in the post-war period have shown less of a steady upward trend than the farm-retail spread as a whole. Table 10 (a-d) shows that, for a representative group of food companies, profits (before taxes) per dollar of food sales have varied widely since 1946. The profits of representative canning and packing companies, for example, have varied from .7 to 1.6 per cent of sales; profits of dairies from 1.1 to 2.1 per cent. The profit margin related to sales appears to have moved upward for most food marketing firms during the past five years, but no strong trends emerge clearly.

While profits per dollar of sales indicate the importance of profits as a component of the unit retail price of food, this ratio is less satisfactory as a measure of profitability than returns on capital investment. A product which is highly valued relative to services performed and which enjoys rapid turnover may yield investors a high rate of return despite a low rate of profit per unit. Referring again to Table 10 (a-d) it may be seen that the net rate of return on investment is certainly up to par for most food companies.

In themselves, profits tell us little about



the marketing margin. They must be related to the efficiency of the distributing system as a whole and of its individual parts. These questions are considered at a later point.

Summary: To summarize recent trends, then, it is first of all apparent that the farm-retail spread has increased steadily since World War II, and that the rate of increase has become somewhat steeper since 1951. As a result, today the share of the consumer's dollar which goes to processors and distributors is considerably greater than the share which reaches the farmer. In part, it seems clear that some of the increase in the farm-retail spread is attributable to general inflationary pressures on marketing costs. However, there are also strong indications that some factors have been operating independent to widen the margin, particularly the addition of new consumer services and the expenditure of more money on advertising and promotion geared to product differentiation. Because of increases in productivity, labour costs do not appear to have been an important factor in widening the farm-retail spread.

Consumer Expenditures on Food: How has the consumer fared during this post-war period marked by a steadily widening spread between farm and retail prices? What are the relationships between the spread and consumer food expenditures?

First of all, the food bill has increased. Between 1945 and 1956 Canadian food expenditures rose from \$1.9 billion to \$4.3 billion, an increase of



129 per cent (Table 11). A substantial proportion of this increase, of course, is directly attributable to population growth. On a per capita basis, however, the average Canadian spent almost \$270 on food in 1956, up 73 per cent from the 1945 level.

If we further refine per capita expenditure to reflect changes in the level of purchasing power, the increase loses much of its significance. In constant dollars (1949 = 100), per capita expenditures for food in 1956 were virtually the same as they were in 1945 (Table 11).

Moreover, the Canadian consumer in 1956 was buying more of the so-called "protective" foods than he did in 1945. The per capita consumption of meats, eggs and most dairy products has increased steadily since 1945 (Table 12). This trend has more than compensated for the decline in consumption of cereal grains.

Other evidence tends to confirm that the retail price of food, when related to purchasing power, is quite modest. Table 13, for example, shows that the quantity of certain staple food products which could be purchased with one hour's industrial wages was larger in 1956 than at any time in recent history. Similarly, total food expenditures as a portion of disposable income declined slightly between 1945 and 1956 -- from 22.4 to 21.6 per cent (Table 11).

It appears, then, that food prices have not advanced more rapidly than prices in general, nor have food expenditures come to consume a larger part



of the average Canadian's income.

At the same time, it is quite certain that many low income families are required to spend a very large share of their incomes on food. This situation is implied in the data contained in Tables 14 and 15. The first shows that the average food expenditure for an urban family with three children in 1953 was nearly \$1,500. The second indicates that nearly half of the urban families and unattached individuals earned less than \$3,000 in 1954. The suggestion is inescapable that many had to spend up to half what they earned on food. Even in prosperous times, therefore, there remains the problem of the low-income consumer. It is important that we do not confuse this problem of income distribution with the problem of the level of food prices. As we have seen, food prices have maintained a fairly stable relationship with the general level of purchasing power.

Returns to Farmers: In the five years following 1951, retail food prices as reflected in the food component of the consumer price index declined by 3 per cent. At the same time, the index of farm prices in Canada fell almost 23 per cent. It is true that these indexes do not measure price changes for exactly the same farm products. Nevertheless, it is immediately apparent that the consumer has benefitted little from the sharp drop in farm prices.

What has happened, in fact, is that the farm share of the consumer food price has dropped and



the marketing margin has increased. The farm share, which amounted to 51 per cent in 1951, amounted to only 45 per cent in 1956, with indications that it might drop still lower. In the United States, the farm share has already fallen to 40 per cent.

Table 16 shows the trends in the farm share of the retail price for each of several commodities annually since 1935. Again the trend which has become definitely established in the post-war period is one of gradually declining farm shares, with the farm percentage dipping most sharply in the period since 1951.

Reviewing the facts thus far, it is clear that the growth in marketing margins has impinged on farmers' returns most critically in the period since 1951. Retail food prices have remained relatively stable, declining about 3 per cent. Marketing margins for 14 basic commodities, rose 15 per cent from 1951-1956 (Table 2). At the same time, the index of farm prices for these same commodities declined by more than 16 per cent. The results are clearly reflected in the farm share of the retail cost which, Table 2 shows, dropped 12.4 per cent from 1951 to 1956.

Or, to summarize in a slightly different way: In the period since 1951, the general level of retail prices has continued to rise. Retail food prices, however, have failed to keep pace, actually remaining quite stable. The marketing margin, in part responding to the general inflationary pressure and in



part to the addition of new costs, has increased even more rapidly than the general price level. The residual (farm price) has as a result declined drastically.

Rigidity of Marketing Margins: This situation is explained in part by the rigidity of marketing margins. It is well established that marketing margins are relatively unresponsive to changes in the retail price of food. Thus, in a period of rising food prices they tend to increase more slowly, making up a smaller share of the consumer price. Conversely, when prices fall, margins remain quite "sticky", absorbing a larger and larger share of the consumer price, the lower it falls.

At the same time, we have observed a definite long-run trend towards an increase in the farm retail spread. As each new link is added in the chain between farmer and consumer, flexibility is restricted to a smaller and smaller portion of the retail price (the farm share). Consequently, at each downward turn of the cycle, the reaction upon farm prices is more severe.

The farmer's position is further complicated by the fact that the price he receives for much of his production is determined, not in the domestic market, but in the export market. This and other factors frequently cause food prices to follow a pattern divergent from other domestic consumer prices. The period since 1951 provides an example of the severity with which these forces can react on farm income:



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Hon. Mr. Nollett

farm costs have continued to climb, marketing margins have forged upwards, while farm prices have dropped sharply.

Not only is the farm-retail spread growing larger, but present evidence indicates that marketing margins are becoming even more rigid, at least in the short run. Our earlier examination of some of the components of the farm retail spread made note of their rising cost. During a general inflationary period, costs of transportation, depreciation, interest, taxes, advertising -- all tend to move in only one direction: Upward. These costs tend to become ingrained in the marketing structure and are not materially reduced even in periods of temporary recession. This tendency is bolstered by the trend towards more and more marketing services. Thus price flexibility in our marketing system for food products appears to be mainly confined to farm prices.

In no small measure, the flexibility of farm prices in relation to the rigidity of marketing charges reflects the relative bargaining power of the two sectors. It is characteristic of agricultural production in our society that it is carried on by thousands of small producers, none of whom is capable of appreciable influence on either supply or price. In most respects this is as true today as it was half a century ago. In the marketing sphere, however, there has been a marked trend towards concentration of services in fewer and fewer firms. This latter trend has accelerated in post war years. Consequently,



the farmer's bargaining position in the market has tended to worsen, while processors and distributors are able to exert even greater pressure to maintain prices for their services. This factor, too, strengthens the rigidity (or "one-way flexibility") of marketing margins.

Integration of Food Marketing Industries:
Many changes have taken place in the food marketing industries since World War II. In the process, retailing, wholesaling and food manufacturing have become much more highly integrated.

Since 1947, the number of food manufacturing plants has decreased and the average output per plant has gone up. As a result, in 1954, 75 per cent of the industry's total value of shipments was supplied by only 7 per cent of the firms.

In the retail phase, two definite trends are apparent. First, among all retail food stores, there is a marked shift from the small unit to the large supermarket. Between 1946 and 1954, the number of smaller independent food stores in Canada decreased by more than 50 per cent, while the sales per store went up by 82 per cent (Table 16). Among chain-operated stores, between 1947 and 1955 the number of stores increased slightly, but the average sales per store increased almost fivefold (Table 17). More than half of the chain-operated stores have an annual sales volume of \$500,000 or more.

The second trend in food retailing is a shift toward greater control of the market by



chain-operated stores. Table 17 indicates that dollar volume of sales through chain stores increased three times between 1947 and 1955 and now stands close to \$1 billion annually. This would constitute roughly one-third of total 1956 sales, and there is every indication that this proportion will continue to grow.

Among the firms operating chain food stores, horizontal integration is proceeding rapidly. Table 17 shows that the number of firms declined from 52 in 1947 to 34 in 1955.

Another feature of recent developments has been an increasing emphasis on vertical integration. The largest food chains have acquired bakeries, milk processing plants, canneries, bottling plants, cheese factories, produce packing plants, and so on. Processors and distributors are extending their influence vertically through contract farming. (Contract farming involves an agreement between a processor distributor and a farmer which guarantees the farmer a specified price and market for specified products.) In the United States, where this trend is further advanced than in Canada, it is described as "one of the most significant current developments in agriculture and is likely to continue".

The probable result implied by all the trends taken together is that fewer and fewer firms will each control more and more of the links between primary producer and consumer.

Efficiency in Food Marketing: In the narrow sense of rationalizing the marketing process,



it can undoubtedly be argued with reason that a higher degree of integration of marketing firms can contribute to greater efficiency. The problems faced in this process are numerous. The industry necessarily is complex and decentralized. Many of the activities involved in marketing are less susceptible to standardization and mechanization than are other manufacturing processes. Many operations are intermittent and dispersed and involved products which vary widely in size, shape and other characteristics. Integration, it may be said, can help overcome these problems through necessary regrouping and through contributing larger sums to technical research.

Measuring efficiency in this sense is extremely difficult on the basis of existing data. We do know that, in general, while there have been very definite increases in productivity per worker in the food processing and distributing industries, these have probably not kept pace with recent increases in productivity per worker in some other sectors of the economy. For example, the net value of production per worker in the foods and beverages industry of Canada increased by 96 per cent between 1945 and 1955 (Table 4); while at the same time in manufacturing industries generally the increases amounted to 112 per cent (Table 9).

But whatever progress can be made toward rationalizing the processes of marketing there are larger aspects of efficiency which, we believe, are equally if not more important to the consumers and



farmers of Canada. These aspects call into question the adequacy of the whole market pricing apparatus, the adequacy of public supervision and control of marketing, and the relative bargaining positions of the three groups in the market: Producers, middlemen, and consumers. In other words, our criterion of efficiency here is: How well does our marketing system meet the needs of society, particularly the legitimate needs of producers and consumers?

The radical price fluctuations which take place at the farm level under our marketing system are too well known to require documentation here. This phenomenon is sufficiently universal that United Nations experts have commented on it, as follows, and in the words of a true expert:

"The desirable results of price changes -- the encouragement of a better allocation of economic resources -- ought to be capable of achievement without violent instability.

... If prices really had to change by 15 or 20 per cent from year to year in order to achieve minor alternations in about the effectiveness of this method of securing a desirable allocation."

I think I could put that in more understandable language, but there it is. It is high class.

It is highly questionable that the violent random and unpredictable farm price changes which characterize our marketing system result in efficient



allocation of agricultural resources. Rather, the main -- and often sole -- impact of sharp declines in prices is to lower farm income. This effect is becoming more severe as farming becomes more specialized. Realistic alternatives have always been few for the farmer; as his investment in specialized machinery and other resources becomes greater, the range of alternatives becomes even narrower. The fact that both the supply of and the demand for food products are quite inelastic aggravates the problem. The farmer is not compensated by sufficiently increased consumption of food products when sharp declines in prices occur.

As organized, our marketing system gives rise to conflicts of interest between marketing agencies on the one hand and producers and consumers on the other. For example, as integration progresses and marketing becomes concentrated in fewer firms it is inevitable that price competition will decrease even further and that more resources will be devoted to brand advertising and product differentiation. In the view of the processor, larger expenditures on product differentiation are justified if they serve to increase his profits. Both consumer and producer, however, might be much better served if comparable expenditures were made on improving grading procedures and providing more adequate information to guide the consumer. In so far as marketing margins contain non-productive expenditures of this nature they serve to increase costs to the consumer and decrease returns to the farmer.



Finally, even if we assume maximum operating efficiency on the part of marketing agencies, the question remains: Who under our marketing system will reap the benefits? In a practical sense, the allocation of benefits among farmers, middlemen and consumers rests upon their relative power in the market. It is clear that the continuing integration of processing and distributing firms has already materially strengthened their dominant position relative to the unorganized individual producer (or consumer). Furthermore, in a period of abundant supply such as the present, it is obvious that the farmer's weaken position is weakened even further.

Rationalization of marketing processes and improvement of marketing efficiency are highly desirable. However, the social objective associated with efficiency will not be realized unless the bargaining power of farmers and consumers is increased to match the growing power of the marketing industries. This, we believe, poses the most important single question of policy with respect to the problem of the farm-retail spread.

Suggested Areas of Study: In the course of preparing this brief a number of questions have been raised concerning which there is very little reliable information. Some of these questions we believe to be extremely important to the development of public policy concerning price spreads. Particularly, we would suggest that study needs to be given to the following three general areas, and answers sought



to the questions listed under each.

1. The continually increasing number and kinds of services performed in the marketing process. The questions under that:

- (a) What is the effect of these factors on price spreads? On farm prices?
- (b) To what extent do consumers have alternatives to accepting added services?
- (c) Is the consumer being informed of the cost of services involved in convenience foods?

2. Product differentiation, premiums and unnecessary salesmanship. The question:

- (a) What is the direct effect of these factors in terms of added cost, on price spreads?
- (b) To what extent do these "motivators" interfere with rational consumer choice based on objective comparisons?
- (c) To what extent does meaningless repetition of brands contribute to marketing inefficiencies (duplication of plant, unused capacity, etc.)?

(d) Would not the resources allocated to product differentiation contribute a great deal more in social benefits if devoted to the establishment of more rigid standards of quality, to the development of more satisfactory systems of grading, and to supplying consumers with more adequate information?

3. Effects of the growing integration and concentration of food marketing industries. The questions under that heading:



(a) To what extent do the size and rigidity of marketing margins reflect administration of prices in the marketing industries? Relative to price administration, what are the implications of further reduction in the number of firms in these industries?

(b) What will be the effects of further integration on the bargaining position of middlemen relative to farmers and consumers?

(c) What special dangers are implied for farmers in the growth of vertical integration (e.g. contract farming)? For consumers?

(d) What public policy measures are required to guard against the dangers of concentrating market power in the marketing industries?

Summary and conclusions: As stated at the outset, the Government of Saskatchewan has approached the problem of price spreads primarily as it affects the interests of consumers and farmers. We believe there is much more identity in the interests of these two broad groups than there is divergence. Pursuit of their interests has led us to examine, not only price spreads, but also some aspects of the marketing structure itself.

Following a summary of our observations, we have set forth a list of suggested policy objectives together with related programs which, in our view, are necessary to improve the positions of producers



and consumers in the market.

Conclusions: 1. The farm-retail spread, and the marketing charges which make it up, have increased steadily since World War II. In the last seven or eight years the rate of this increase has quickened. In part, the increase can be attributed to a general inflationary trend which has raised costs in the marketing sector. In addition, however, the evidence indicates that the provision of new services and the expansion of advertising and promotion have injected new costs into marketing margins.

2. While wages in the food processing and distributing industries have increased, productivity per worker since 1946 has increased relatively more. It seems clear, therefore, that labour costs per unit of service have not gone up appreciably. Any net increase in labour costs is probably attributable to the addition of new services. At any rate, wages and salaries in the food marketing industries have tended to be lower than those in comparable industries.

3. Profits in the food and beverages industry have increased, but the upward trend has been less steady than the overall increase in marketing margins. Profits related to sales, as reported by the industry, do not appear to be excessive. Profits related to investment, however, are more impressive.

4. Consumer prices for food have not increased relative to the average level of purchasing power. The cost of food does constitute a hardship



to a substantial portion of consumers, however, whose incomes are below average. It is important that we do not confuse this problem of income distribution with the problem of the level of food prices.

5. Since 1951, the main impact of increasing marketing margins has been absorbed by the farmer. Consumer prices have remained relatively stable, while farm prices have declined substantially. The effect of this decline has been the more severe because of continued increases in farm costs.

6. The farm share of the consumer's food dollar declined from 51 per cent in 1951 to 45 per cent in 1956. Given the continuation of present market relationships, the farm share can be expected to decline further, mainly due to the influence of the following: (1) The general trend toward increasing the level of services provided in marketing; and (2) the weak bargaining position of the individual producer relative to the increasing bargaining strength of integrated marketing firms. The continuation of a general inflationary trend will reinforce the upward pressure on marketing costs.

7. As the size of the farm share decreases, the well-established rigidity of marketing margins has an even greater impact on farm prices. In other words, price flexibility is becoming concentrated in an even smaller portion of the consumer food price. Indications are that marketing margins are becoming even more inflexible: (1) In the short run, rising costs tend to become ingrained



in the marketing structure due to contractual arrangements and other factors; and (2) in the long run, the increasing concentration of market power in a few firms permits greater maintenance of prices for marketing services.

8. Integration of food marketing firms has proceeded rapidly in the post war period. Concentration has assumed the forms not only of horizontal combination but of vertical integration as well. A continuation of present trends will result in fewer and fewer firms controlling more and more of the links between farmer and consumer.

9. While further integration of food handling firms may help to rationalize some marketing processes, it can at the same time be expected to accentuate major structural inefficiencies in the market itself.

(a) Further concentration of market power in the hands of fewer buyers of farm products will probably tend to reinforce the wide and unpredictable movements of farm prices. Farm prices will then be even less effective in fulfilling their classical function of guiding the allocation of farmers' resources.

(b) Further concentration in marketing industries will undoubtedly lead to less price competition and give greater emphasis to brand advertising and product differentiation. The only result of increasing non-productive expenditures of this nature can be to increase costs to the consumer or decrease returns to the farmer.



(c) In the final analysis, the allocation of benefits accruing from improved operating efficiency will depend on the relative market power of farmers, middlemen and consumers. The continuing integration of marketing firms has already materially strengthened their dominant position relative to producers and consumers.

1. The problem of the farm-retail spread and its effects on producers and consumers cannot be separated from the problem of the imbalance of market power between food processors and distributors on the one hand and farmers and consumers on the other. To lessen or eliminate this imbalance we believe to be a first concern of public policy.

Policy Objectives: The history of farmer and consumer attempts to improve their bargaining strength in the market reveals only a small measure of success, except where they have been aided by Government intervention. With respect to such a vital social necessity as the marketing of food products we believe public intervention is essential if the legitimate needs of consumers and producers are to be met. We would suggest that such intervention should seek first to strengthen the market power of consumers and producers as far as possible, and second to compensate them for any remaining disadvantages. Specifically, we would propose the following programs:

1. Greater encouragement of producer marketing boards, with particular attention to the



need for federal legislation to facilitate interprovincial and export marketing.

2. The establishment of a federal Board of Livestock Commissioners as a regulatory agency in the field of livestock marketing. Such a board would be similar in principle to the Board of Grain Commissioners. One of its major obligations would be to supervise the standardization of grading, packaging, labelling, etcetera, for meat products, with particular emphasis on ensuring a more direct relationship between grades at producer and consumer levels.

3. The establishment of a federally constituted National Livestock Marketing Board to be the sole marketing agency for hogs and cattle.

4. With the advent of producer and national marketing boards, to consider restricting the buying and selling function of food processors. This would prevent the present undue emphasis on time and place sales and would place the vital responsibilities of pricing, storage, and surplus disposal in the hands of socially responsible agencies.

5. The establishment of a well-integrated program of farm price supports, based as far as possible on farm production costs plus a fair return on labour and investment. Supports should be maintained through the most effective method of payment; that is, either by maintaining



consumer prices at the necessary level or by compensating farmers through deficiency payments.

6. The establishment of programs to reduce the impact of food costs on low income groups. This problem should be approached in terms either of subsidizing food consumption or of improving income distribution.

Government intervention in these areas will go far towards alleviating the most serious deficiencies in our marketing system. At the same time, consumers and producers should be urged to help themselves, particularly through the expansion of the co-operative movement. Co-operative organizations assist in reducing the effects of price spreads in two ways:

(1) Through savings returned in the form of patronage dividends; and (2) through their competitive effect on commercial marketing agencies. It is our understanding that the co-operative movement of Saskatchewan will be represented in the submissions to this Commission. We wish to associate ourselves with these submissions in urging producers and consumers to increase their use of co-operative buying and selling.

Finally, we would like to comment on the need for more information and research, with respect both to marketing margins themselves and to the specific needs of producers and consumers.

1. At present, in Canada, reliable information on marketing margins is neither adequate nor



timely. Comparisons of retail cost, farm value, marketing margin and farm share are available only for a few selected commodities on an annual basis. There is no information published in Canada on the total marketing bill and its component items. We believe it to be vitally important that the responsible Government agency make a proper assessment of food marketing margins on a more timely basis.

I assume what is meant here monthly or quarterly basis.

2. Producers require more adequate information on alternative marketing channels. Particularly, they need more specific "outlook" data on which to base production decisions more closely aligned to anticipated consumer requirements. Most information published currently is much too general to guide producers.

3. In addition to his need for more adequate labelling information on processed foods, the consumer needs more information on the distribution of costs in the prices he pays -- particularly the share which goes to the primary producer.

4. Consumers, processors and producers would benefit from publicly sponsored research on the perishability of food products. Such research should be co-ordinated with a study of the use of storage operations in levelling out seasonal gluts and scarcities.

Table 1. AVERAGE ANNUAL MARKETING MARGINS FOR SEVEN SELECTED COMMODITIES, CANADA,
1935-1956

Year	Eggs ^{b/} all Grades ¢ - doz.	Fluid Milk ¢ - qt.	Creamery Butter ¢ - lb.	Cheese, plain process ¢-1/2 lb.pkg.	Beef ^{c/} Comm. Quality ¢ - lb.	Wheat Flour ¢ - lb.	White Bread ¢ - lb.
1935	7.7	7.-	12.-	9.-	6.8	2.7	5.-
1936	7.3	6.5	11.8	9.7	7.1	2.6	5.2
1937	7.1	7.1	12.1	10.5	6.6	3.1	5.3
1938	7.3	7.5	12.8	10.9	7.8	3.6	6.-
1939	7.-	7.-	11.3	10.-	7.7	2.6	5.6
1940	7.8	7.1	12.-	11.5	7.9	2.9	5.7
1941	9.5	7.1	11.4	13.6	8.1	2.8	5.7
1942	12.2	7.-	11.8	16.2	8.-	2.9	6.-
1943	13.2	7.3	12.2	15.3	9.4	3.1	6.-
1944	11.7	7.1	12.2	15.5	10.1	3.2	6.1
1945	11.2	7.-	12.1	15.6	10.2	3.-	6.1
1946	11.-	7.-	12.5	15.6	10.2	3.-	6.-
1947	10.5	7.-	13.3	15.7	11.1	3.5	6.7
1948	12.-	7.9	14.1	18.1	12.7	3.8	8.1
1949	11.2	7.9	15.3	19.-	18.4	3.7	7.7
1950	12.4	8.2	15.1	19.7	20.1	4.-	8.1
1951	14.1	9.1	14.2	21.-	21.6	4.3	9.4
1952	15.2	9.8	15.5	24.8	29.-	4.5	9.9
1953	15.8	9.5	14.8	24.1	26.7	4.5	10.-
1954	15.1	9.9	14.4	23.4	24.1	5.-	10.7
1955	15.1	9.9	14.6	24.-	24.4	4.6	10.7
1956a/	16.2	10.1	14.5	21.5	25.3	4.9	11.5

a/ Preliminary
b/ from 1949 - Grade A Large
c/ from 1949 - Blue Brand Quality

Source: Marketing Margins for Selected Canadian Agricultural Products, 1935-1949 (1948), Canada Dept. of Agriculture, Ottawa.
The Economic Annalist, Canada Dept. of Agriculture, Ottawa,
June, 1957.

Table 2. INDEXES OF RETAIL FOOD PRICES,
 MARKETING MARGINS AND FARM SHARES,
 14 SELECTED AGRICULTURAL COMMODITIES (1949=100)
 CANADA, 1949-1956

Year	Retail Food Prices	Farm Prices	Marketing Margins	Farm Share Retail Cost
1949	100.0	100.0	100.0	100.0
1950	101.5	101.0	103.2	98.9
1951	115.6	115.4	113.2	100.4
1952	118.2	118.6	127.1	94.6
1953	113.1	102.3	126.1	92.6
1954	110.3	97.2	126.2	90.9
1955	110.8	97.2	124.5	91.4
1956	112.1	96.8	129.7	88.0

The 14 Selected Agricultural Commodities are:

1. Wheat flour
2. White bread
3. Beef, blue brand
4. Pork
5. Chicken
6. Eggs, A. large
7. Fluid Milk
8. Creamery butter
9. Cheese, plain process
10. Potatoes
11. Canned peaches
12. Canned tomatoes
13. Canned corn
14. Canned peas

Source: The Economic Annalist, Canada Department of Agriculture, Ottawa, June, 1957.

Table 3. GROSS INVESTMENT IN THE FOODS AND BEVERAGES GROUP
OF INDUSTRIES COMPARED WITH GROSS
INVESTMENT IN CANADA,
1949-1955

Year	Gross (New) Investment in Canada	Gross Investment in the Foods and Beverages Groups of Industries				% F.&B. to Gross Investment
		New Construction	Machinery and Equipment	Total Investment in F. & B.		
1949	5,430	27.7	51.0	78.7		1.5
1950	4,416	26.0	49.2	75.2		1.7
1951	5,430	28.0	51.2	79.2		1.5
1952	4,566	26.7	50.7	77.4		1.7
1953	5,431	26.1	59.0	85.1		1.6
1954	4,396	38.6	65.7	88.9		2.0
1955	5,776	38.5	65.2	92.6		1.6
TOTAL 1949-1955						577.1

Source: Foods and Beverages, General Review, Dominion Bureau
of Statistics, Ottawa, 1955.

Table 4. SUMMARY OF PRINCIPAL STATISTICS FOR THE FOODS AND BEVERAGES GROUP OF INDUSTRIES, CANADA,
1935 - 1955

Year	Establish- ments	Employees	Earnings \$,000	Earning per Employee	\$,000	Cost of Fuel and Electricity	\$,000	Cost at Plant of Materials Used	\$,000	Value Added by Manufacture	\$,000	Valuea/ added per Employee	\$,000	Sellingb/ Value of Factory Shipments	Cost at Plant of Materials Used	Value added by Manufacture	
1935	9,091	92,988	89,198	959.24	11,427	4,388,759	236,176	2,540	686,362	1.7	63.9	34.4					
	9,127	99,834	97,562	977.24	12,059	507,837	267,644	2,681	787,540	1.5	64.5	34.0					
1936	108,003	109,589	1,014.68	12,629	592,984	279,267	2,586	884,880	1.4	67.0	31.6						
1937	109,246	114,034	1,043.65	13,034	571,669	286,274	2,620	870,977	1.5	65.6	32.9						
1938	9,314	119,195	1,057.75	13,820	559,679	305,792	2,714	879,291	1.6	63.6	34.8						
1939	9,037	112,687															
1940	8,967	119,216	129,732	1,088.20	16,732	677,305	317,132	2,660	1,011,169	1.7	67.0	31.3					
1941	9,003	130,304	150,043	1,151.40	20,081	876,755	370,854	2,846	1,267,690	1.6	69.2	29.2					
1942	9,072	135,760	169,480	1,248.37	22,835	977,705	441,065	3,249	1,441,605	1.6	67.8	30.6					
1943	8,983	139,100	186,421	1,340.19	23,360	1,141,959	449,506	3,232	1,614,825	1.4	70.7	27.9					
1944	8,988	153,533	213,394	1,389.89	30,998	1,324,654	529,437	3,448	1,885,089	1.6	70.3	26.1					
1945	8,872	156,396	224,909	1,438.07	26,708	1,336,820	558,247	3,569	1,921,775	1.4	69.6	29.0					
1946	8,862	160,821	241,770	1,503.34	27,770	1,408,818	604,121	3,756	2,040,709	1.4	69.0	29.6					
1947	8,569	167,865	276,245	1,645.63	32,355	1,656,529	695,092	4,141	2,383,976	1.4	69.5	29.1					
1948	8,686	168,893	311,236	1,842.79	38,252	2,034,844	766,435	4,538	2,839,531	1.3	71.7	27.0					
1949	8,558	170,024	332,536	1,955.81	39,319	2,009,246	834,017	4,905	2,882,582	1.4	69.7	28.9					
1950	c/	167,664	346,714	2,067.90	42,052	2,102,437	885,322	5,280	3,029,811	1.4	69.4	29.2					
1951	c/	172,493	392,859	2,277.53	45,583	2,419,207	985,241	5,712	3,450,031	1.3	70.1	28.6					
1952	b/	175,552	429,650	2,447.42	47,484	2,333,089	1,091,944	6,220	3,472,517	1.4	67.2	31.4					
1953	b/	176,649	455,281	2,577.31	48,748	2,296,740	1,146,474	6,490	3,491,962	1.4	65.8	32.8					
1954	b/	177,883	477,059	2,681.86	51,193	2,334,167	1,181,648	6,642	3,562,547	1.4	65.4	33.2					
1955	c/	180,085	498,787	2,769.73	53,479	2,319,783	1,257,653	6,984	3,614,316	1.5	63.9	34.6					

a/ "Value added by manufacture" is obtained by subtracting the total cost of materials, fuel and electricity from the selling value of products.

In 1954 and 1955 selling value of products is computed by adjusting the selling value of shipments by the change in finished goods inventory.

b/ Prior to 1953, the basis of collection was "Gross value of products".

c/ Does not include Fish Processing in Newfoundland. (See Text).

Source: Foods and Beverages - General Review, Dominion Bureau of Statistics, Ottawa, p. A-8. 1955.

Table 5. PRINCIPAL STATISTICS OF CERTAIN FOOD PROCESSING INDUSTRIES,
SELECTED YEARS, SASKATCHEWAN 1938-1955

	FLOUR AND FEED MILLS				1938 1941 1945 1950 1955 a/	1938 1941 1945 1950 1955 BREAD AND OTHER BAKERY PRODUCTS
	1938	1941	1945	1950		
Average No. of Employees	542	587	677	674	759	597
Salaries and Wages:						
Total: \$'000	682	816	1,170	1,726	2,517	497
As a % of Gross Selling Value:	4.0	5.3	4.4	4.1	5.9	
Average Salary or Wage: \$	1,258	1,390	1,728	2,561	3,316	
% Increase to 1938:	100.0	110.5	137.4	203.6	263.6	
% Increase to 1945:			100.0	148.2	191.8	
Average Salary deflated by Consumer Price Indexes: \$	1,974	1,997	2,304	2,488	2,848	
% Increase to 1938:	100.0	101.2	116.7	126.0	144.3	
% Increase to 1945:			100.0	107.9	123.7	
Cost of Materials: \$'000	14,672	11,640	23,732	34,674	34,785	1,165
As a % of Gross Selling Value:	86.9	75.7	89.8	83.3	81.0	
Gross Value of Products: \$'000	16,889	15,386	26,429	41,634	42,919	2,170
Net Value of Products: \$'000	-	-	2,325	6,602	7,769	-
Per Worker:	\$			3,434	9,795	10,235
% Increase to 1945	-	-	-	100.0	285.2	298
Net Value per Worker Deflated by Wholesale Price Indexes \$						
% Increase to 1945						
Net Value per Worker deflated by Consumer Price Indexes: \$						
% Increase to 1945						

a/ from 1954 on only the flour production of these mills is given.

Source: Statistical Summary of Established Industries in Saskatchewan, Industrial Development Office, Province of Saskatchewan,
Regina, 1957.

Table 6. PRINCIPAL STATISTICS OF THE SLAUGHTERING AND MEAT PACKING INDUSTRY
AND THE PETROLEUM PRODUCTS INDUSTRY, SELECTED YEARS,
SASKATCHEWAN, 1938-1955.

	SLAUGHTERING AND MEAT PACKING				PETROLEUM PRODUCTS			
	1938	1941	1945	1950	1938	1941	1945	1950
Average No. of Employees	567	1,059	2,112	1,198	1,067	410	474	553
Salaries and Wages:								
Total Value: \$'000	791	1,509	3,530	3,131	3,746	617	864	1,089
As a % of Gross Selling Value:	12.1	8.7	8.1	9.9	12.3	6.6	6.1	6.-
Average Salary or Wage:	\$1,395	1,424	1,671	2,613	3,510	1,504	1,822	1,969
% increase to 1938:	100.-	102.-	119.8	187.3	251.6	100.-	121.1	130.9
% increase to 1945:	-	-	100.-	156.4	210.1	-	-	100.-
Average Salary deflated by								
Consumer Price Indexes:	\$2,189	2,045	2,228	2,539	3,015	2,372	2,617	2,625
% increase to 1938:	100.-	93.4	101.8	116.-	137.7	100.-	110.3	110.7
% increase to 1945:	-	-	100.-	114.-	135.3	-	-	100.-
Cost of Materials: \$'000	5,194	14,515	36,497	26,509	21,397	6,661	9,428	13,718
As a % of Gross Selling Value:	79.2	83.7	83.3	83.5	70.3	70.9	66.6	75.5
Gross Value of Products: \$'000	6,554	17,352	43,802	31,766	30,440	9,390	14,163	18,173
Net Value of Products: \$'000	-	-	7,048	4,990	8,686	-	-	3,625
Per Worker: \$'000	-	-	3,337	4,166	8,140	-	-	6,555
% increase to 1945	-	-	100.-	124.8	243.9	-	-	100.-
Net Value per Worker deflated by Wholesale Price Indexes \$	-	-	5,010	3,911	7,373	-	-	9,842
% increase to 1945	-	-	100.-	78.1	147.2	-	-	100.-
Net Value per Worker deflated by Consumer Price Indexes: \$	-	-	4,449	4,048	6,993	-	-	8,740
% increase to 1945	-	-	100.-	91.-	157.2	-	-	100.-

Source: Statistical Summary of Established Industries in Saskatchewan, Industrial Development Office, Province of Saskatchewan, Regina, 1957.

Table 7. PRINCIPAL STATISTICS OF THE FARM IMPLEMENT AND MACHINERY INDUSTRY, CANADA, 1945-1950

Year	Salaries and Wages			Cost of Electricity at Works			Cost of Material at Works			% of Gross Selling Value at Works minus cost of materials and cost of fuel and electricity at works.	Net Value of Production Per Worker b/	Gross Profit c/			
	No. of Employees	Average		Gross Selling Value at Works		Gross Selling Value at Works		Gross Selling Value of Products at Works							
		Total	% of Wages or Wage b/	Total	% of Gross Selling Value at Works	Total	% of Gross Selling Value at Works	Total	% of Gross Selling Value at Works						
1945	13,554	24,410	42.4	1,801	1,079	1.87	26,415	45.84	57,621	30,127	2,223	5,717			
1946	13,866	25,475	40.2	1,837	1,162	1.87	32,852	51.13	63,238	29,224	2,108	3,749			
1947	16,013	31,244	34.9	1,951	1,462	1.63	49,799	55.69	89,423	38,162	2,383	6,918			
1948	18,747	45,271	30.8	2,415	1,997	1.36	81,591	55.52	146,956	63,368	3,380	18,097			
1949	17,074	44,220	25.0	2,590	2,093	1.18	95,685	54.07	176,970	79,192	4,638	34,952			
1950	16,223	43,285	28.9	2,668	2,020	1.35	79,124	52.93	149,500	68,356	4,218	25,071			
^a Increase 1945-1950.			77.3	48.1	87.2		199.5		159.5	126.9	89.6	338.5			
1951	17,236	52,217	30.5	3,030	1,984	1.16	96,469	56.35	171,172	72,719	4,219	20,502			
1952	18,046	62,424	30.3	3,459	2,170	1.05	109,828	53.37	205,775	93,777	5,197	31,353			
1953	14,161	50,302	29.4	3,552	1,825	1.07	90,345	52.75	171,270	79,100	6,586	28,798			
1954	11,805	40,225	33.8	3,407	1,742	1.46	66,712	56.05	119,006	50,552	4,282	10,327			
1955	11,753	41,929	36.8	3,568	1,749	1.54	59,283	52.04	113,923	52,891	4,500	10,969			

a/ Gross Operating Profit -- gross selling value at works minus salaries and wages, cost of fuel and electricity at works and cost of materials at works.

b/ Net Value of Production -- gross selling value at works minus cost of materials and cost of fuel and electricity at works. As such, it is an indicator of labor productivity.

Source: The Agricultural Implements Industry 1955 Dominion Bureau of Statistics, Ottawa, 1957.

Table 8. WEEKLY WAGES AND SALARIES AND HOURLY EARNINGS
OF WAGE EARNERS, FOOD INDUSTRIES AND MANU-
FACTURING, CANADA, 1945-1956

Year	Average Weekly Wages and Salaries		Annual Averages of Hourly Earnings of Hourly-Rated Wage-Earners	
	Food and Beverages Industry		Food and Beverages Industry	
	Manufacturing	\$	Manufacturing	¢
1945	32.46	28.76	69.4	59.0
1946	32.27	29.97	70.0	62.5
1947	36.34	33.45	80.3	70.6
1948	40.67	37.45	91.3	79.9
1949	43.97	40.40	98.6	86.0
1950	46.21	42.34	103.9	89.8
1951	51.25	46.37	116.8	99.3
1952	56.11	49.95	129.2	109.8
1953	59.01	52.19	135.8	115.5
1954	60.94	54.25	140.8	120.6
1955	63.34	56.13	144.5	124.7
1956	66.47	58.33	151.5	130.2

Sources: Review of Employment and Payrolls 1951 and 1956, and
Review of Man-Hours and Hourly Earnings, 1945-1955
and 1946-1956, Dominion Bureau of Statistics, Ottawa.

Table 9a. SUMMARY STATISTICS OF THE MANUFACTURING INDUSTRIES, CANADA, SELECTED YEARS,
1935-1955

Year	Salaries & Wages			Cost of Mater. at Works			Gross ^a /			% Change (1935=100)		
	Average No. of Employees	% of Gross Selling Value at Works		Average Salary or Wage	% of Gross Selling Value at Works		Net Value of Production b/	Average Hourly Earnings or Wage per Worker		Average Salary Production per Worker	Net Value of Products	
		Total	at Works		Total	at Works		Hours	No.			
		\$'000	\$'000		\$'000	\$'000		\$	No.			
1935	556,664	559,468	21.1	1,005	1,419,146	53.5	2,653,911	1,153,485	2,072	100.0	100.0	
1945	762,244	920,873	20.3	1,208	2,449,722	54.1	4,529,173	1,942,471	2,548	120.2	123.5	
1953	1,119,372	1,845,773	22.4	1,649	4,473,669	54.2	8,250,369	3,564,316	3,184	44.3	69.4	
1955	1,183,297	2,771,267	20.1	2,342	7,538,535	54.6	13,817,526	5,942,058	5,022	42.3	103.6	
1956	1,327,451	3,957,018	22.2	2,981	9,380,559	52.7	17,785,417	7,993,069	6,021	41.3	135.8	
	2,298,461	4,142,410	21.2	3,190	10,338,202	53.-	19,513,934	8,753,450	6,741	41.0	144.5	
											317.4	
											325.3	

^a In 1952 and subsequent years the basis of collection is "value of factory shipments" instead of "Gross Value of Products".

^b Years 1924-1951 inclusive, the value added by manufacture is computed by subtracting the cost of fuel, electricity and materials from the gross value of products. Years 1952 and 1953 the deduction is made from value of factory shipments and in 1954 and 1955 from the calculated value of production. Figures prior to 1924 are not comparable since statistics for cost of electricity are not available.

Source: The Manufacturing Industries of Canada, 1955, Dominion Bureau of Statistics, Ottawa.

Table 9b. PRINCIPAL STATISTICS OF THE
MANUFACTURING INDUSTRIES, CANADA, SELECTED YEARS,
1935-1955

	1935	1940	1945	1950	1953	1955
1. Consumer Price Indexes: (1949 = 100)	59.9	65.7	75.0	102.9	115.5	116.4
2. General Wholesale Price Indexes: (Calculated ratio 1949=100)	47.6	54.5	66.6	106.5	111.3	110.4
3. Average Salary or Wage per Worker deflated by Consumer Price Indexes:	\$1,678	1,839	2,199	2,276	2,581	2,741
% increase to 1935	100.0	109.6	131.0	135.6	153.8	163.3
4. Net production per Worker deflated by Wholesale Price Indexes:	\$4,353	4,675	4,781	4,715	5,410	6,106
% increase to 1935	100.0	107.4	109.8	108.3	124.3	140.3
5. Net production per Worker deflated by Consumer Price Indexes:	\$3,459	3,878	4,245	4,880	5,213	5,791
% increase to 1935	100.0	112.1	122.7	141.1	150.7	167.4

Source: The Manufacturing Industries of Canada, 1955, Dominion Bureau of Statistics, Ottawa.

	CANNING AND PACKING COMPANIES	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
(Thousands of Dollars)												
1.	<u>British Columbia Packers:</u> Sales	26,524	28,753	27,333	29,198	38,358	41,033	33,362	38,986	48,857	48,756	-
	Capital investment	6,782	8,078	9,082	9,774	11,329	12,276	11,370	11,801	13,405	14,290	-
	Net Earnings	2,014	3,778	2,226	2,768	5,177	3,276	2,992	2,694	4,518	4,062	-
	Profit before Taxes	1,362	3,168	1,631	1,818	3,883	1,984	1,542	1,253	3,053	2,711	-
	Net Profit after total taxes	650	1,581	997	1,079	1,894	952	714	636	1,493	1,470	-
2.	<u>Burns & Co:</u> Sales:											
	Capital investment	8,710	8,862	8,903	9,105	9,376	9,514	9,830	10,370	10,424	11,619	12,100
	Net Earnings	1,481	1,740	2,374	2,254	2,493	2,039	2,497	2,823	1,988	3,096	3,200
	Profit before Taxes	640	891	1,137	1,051	1,431	1,090	1,553	1,909	1,031	2,023	2,552
	Net Profit after Total Taxes	472	516	608	681	830	690	898	1,080	672	1,215	1,242
3.	<u>Canada Packers:</u> Sales	204,069	238,454	314,919	327,671	356,826	390,514	385,936	374,473	363,551	434,221	-
	Capital investment	21,175	22,358	24,165	26,245	28,571	28,735	31,336	36,495	38,806	41,751	-
	Net Earnings	4,936	6,434	7,066	8,895	10,636	5,813	11,330	10,486	9,740	13,050	-
	Profit before Taxes	4,061	4,753	5,426	7,523	8,367	4,480	9,982	8,482	8,206	10,452	-
	Net Profit after total taxes	2,060	2,182	2,807	3,480	4,126	1,965	4,401	3,702	3,717	4,746	-
4.	<u>Canadian Canners:</u> Sales											
	Capital investment	12,743	13,024	12,307	17,263	16,392	17,409	17,668	17,436	17,775	18,161	46,682
	Net Earnings	4,701	4,216	2,987	2,670	4,550	4,537	3,162	2,594	3,329	2,925	21,307
	Profit before Taxes	4,078	3,498	2,275	1,948	3,629	3,649	2,395	1,595	2,432	1,950	3,725
	Net Profit after Total Taxes	1,678	1,698	1,360	1,248	2,004	1,719	1,195	812	1,275	1,106	1,584
5.	<u>Catelli Food Products</u>											
	Capital investment	1,140	1,140	1,422	1,675	1,883	2,151	2,289	2,522	2,660	2,991	3,002
	Net Earnings	613	781	833	644	751	952	887	1,015	1,270	1,375	697
	Profit before Taxes	445	691	721	509	601	798	731	845	977	875	469
	Net Profit after Total Taxes	195	348	451	315	360	388	349	442	508	508	3,092
TOTAL OF CANNING & PACKING COMPANIES:												
	Capital investment	50,550	53,462	55,879	64,062	67,551	70,085	72,493	78,624	83,130	88,812	36,495
	Net Earnings	13,745	16,949	15,486	17,231	23,607	16,617	18,084	19,612	20,845	24,528	7,705
	Profit before Taxes	10,586	13,001	11,190	12,849	17,911	12,001	13,119	14,084	15,699	18,071	5,230
	Net Profit after Total Taxes	5,055	6,325	6,223	6,803	9,214	5,714	6,129	6,672	7,665	9,043	3,092
	Net Profit as a % of Capital Investment:	10.0%	11.8	11.1	10.6	13.6	72,493	78,624	83,130	88,812	36,495	/
	Sales:	230,593 a/	267,207 a/	429,721 b/	437,583 b/	493,696 b/	544,475 b/	529,928 b/	523,393 b/	647,077 c/	178,300	8.5
	Net Profit as a % of Sales:											1.0
	a/ Data of two companies	(b) Data of three companies					(c) Data of four companies					
												Source: Survey of Industrials, Financial Post, Toronto, 1946-1957.

Table 10a. STATISTICAL RECORD OF FOOD COMPANIES, CANADA, 1946-1956

SUGAR REFINING COMPANIES	1946 a/	1947 a/	1948 a/	1949 a/	1950 a/	1951 a/	1952	1953	1954	1955	1956
(Thousands of Dollars)											
1. Acadia Atlantic Sugar Ref. Ltd.											
Capital investment	13,547	13,613	14,728	14,995	15,603	15,444	15,552	16,011	15,950	16,552	16,844
Net Earnings	1,113	1,031	2,337	1,922	2,754	1,734	2,505	2,933	2,555	3,267	2,422
Profit before Taxes	738	646	1,947	1,524	2,112	1,388	2,076	2,495	2,587	2,626	1,692
Net Profit after total taxes	453	425	1,168	883	1,051	678	922	1,269	1,388	1,388	899
2. B.C. Sugar Refinery Ltd.											
Capital investment	-	-	-	-	-	-	19,553	20,065	20,270	19,497	20,046
Net Earnings	-	-	-	-	-	-	3,372	4,252	3,354	3,430	3,842
Profit before Taxes ^a	-	-	-	-	-	-	2,620	3,319	2,624	2,680	3,040
Net Profit after total taxes	-	-	-	-	-	-	1,115	1,389	1,119	1,441	1,649
3. Manitoba Sugar Co. Ltd.											
Capital investment	1,945	1,970	2,037	2,167	2,347	2,521	2,631	2,720	2,788	2,937	3,028
Net Earnings	385	337	423	541	985	1,017	500	483	383	527	31
Profit before taxes	208	177	246	352	665	722	500	458	383	527	15
Net Profit after total taxes	127	115	157	221	315	306	245	224	203	285	115
4. Canada & Dominion Sugar Co. Ltd.											
Capital investment	17,612	17,711	18,219	18,791	19,830	20,109	19,702	20,424	20,700	21,988	22,215
Net Earnings	2,195	2,493	4,072	3,972	4,615	4,901	4,597	5,328	4,578	4,605	4,805
Profit before Taxes	1,915	2,087	3,083	3,377	3,839	3,869	3,231	4,362	3,706	3,758	3,918
Net Profit after total Taxes	1,115	1,299	1,708	1,997	2,239	1,779	1,468	2,222	1,976	2,078	2,078
TOTAL OF FOUR COMPANIES											
Capital investment	33,104	33,294	34,984	35,953	37,780	38,074	37,438	59,220	59,708	60,974	62,133
Net Earnings	3,693	3,861	6,832	6,435	8,357	7,652	10,974	12,996	11,270	11,849	11,100
Profit before Taxes	2,861	2,910	5,276	5,253	6,616	5,979	8,427	10,634	9,100	9,591	8,635
Net Profit after total Taxes	1,695	1,839	3,033	3,101	3,605	2,763	3,750	5,104	4,686	5,192	4,521
Net Profit as a % of Capital Investment	5.1	5.5	8.7	8.6	9.5	7.3	6.5	8.6	7.8	8.5	7.3

^{a/} Data of three companies

Source: Survey of Industrials, Financial Post, Toronto, 1946-1957.

Table 10b. STATISTICAL RECORD OF FOOD COMPANIES, CANADA, 1946-1956

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MILLING COMPANIES		1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
(Thousands of Dollars)												
1.	<u>International Milling</u>											
	Capital Investment	25,127	29,767	32,351	30,801	32,611	33,856	34,825	36,091	38,823	39,127	41,093
	Net Earnings											
	Profit before Taxes											
	Net Profit after total taxes	3,463	6,082	4,697	2,296	2,951	3,321	3,439	3,048	5,128	4,861	4,278
2.	<u>Mable Leaf</u>											
	Capital Investment	4,632	5,850	6,975	8,475	9,425	10,081	14,069	14,534	6,849	6,551	6,851
	Net Earnings	2,449	3,737	3,005	1,310	1,903	2,214	2,546	2,641	2,670	2,243	2,202
	Profit before Taxes											
	Net Profit after Total Taxes	850	1,960	2,653	2,584	1,898	1,447	1,806	1,837	1,762	1,209	1,133
3.	<u>Cecilie Flour</u>											
	Capital Investment	8,988	9,462	9,853	10,083	10,108	10,499	10,702	10,887	11,135	15,921	23,206
	Net Earnings	2,016	1,902	1,943	1,575	1,613	1,993	2,360	2,338	2,508	2,834	2,807
	Profit before Taxes											
	Net Profit after Total Taxes	1,138	1,708	1,583	1,446	851	820	1,227	1,527	1,465	2,018	2,192
4.	<u>Lake of the Woods</u>											
	Capital Investment	8,443	9,244	9,804	10,208	10,474	10,845	10,962	11,028	11,105	11,426	11,897
	Net Earnings	1,183	1,374	1,940	1,486	1,092	1,561	1,119	971	735	635	761
	Profit before Taxes											
	Net Profit after Total Taxes	622	746	1,240	1,602	1,196	912	1,362	925	771	478	388
	Total of Four Companies:											
	Capital Investment	47,190	54,323	58,983	59,567	62,618	65,281	70,558	72,540	67,912	73,325	83,057
	Net Earnings &/	5,648	7,013	6,888	4,371	4,608	5,828	6,025	5,950	5,913	5,717	5,770
	Profit before Taxes &/	4,733	5,476	5,632	2,945	3,179	4,395	4,289	4,087	3,848	3,615	3,887
	Net Profit after Total Taxes	6,073	9,206	8,375	4,399	5,266	6,165	6,145	5,755	7,664	7,506	7,200
	Net Profit as a % of Capital Investment	12.9	16.9	14.2	7.4	8.4	9.4	8.7	7.9	11.3	10.2	8.7

Table 10c. STATISTICAL RECORD OF FOOD COMPANIES, CANADA, 1946-1956

	Dairy Companies	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
1. Dominion Dairies		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net Earnings	684,128	778,919	692,145	763,079	591,270	474,064	725,326	717,291	879,226	836,131	937,473	
Profit before Taxes	311,541	355,805	26,082	75,007	77,951	-7,424	143,279	-32,954	127,137	68,639	162,662	
Net profit after taxes												
Total taxes	163,777	219,811	15,968	46,169	59,641	-23,908	76,961	35,653	66,671	40,243	91,555	
Total sales	12,373,002	15,030,036	16,680,384	16,629,070	16,757,429	18,827,442	21,863,875	21,161,405	23,130,412	25,740,297	27,260,932	
Capital investment	2,416,055	2,699,318	2,507,888	2,656,496	2,617,987	2,551,180	2,606,186	2,582,198	2,713,674	2,727,102	2,350,534	
2. Quinte Milk Products												
Net Earnings	118,592	115,998	104,490	81,105	78,847	76,756	70,874	77,198	83,053	111,092	108,765	
Profit before taxes	87,328	88,973	73,349	57,487	58,875	53,144	49,670	46,526	44,475	70,838	63,216	
Net profit after taxes												
Total taxes	36,892	46,915	42,701	39,602	37,220	28,844	27,070	29,526	27,895	43,638	38,806	
Total Sales												
Capital investment	214,391	220,041	226,566	226,241	231,595	234,728	233,229	238,412	237,852	256,046	333,511	
3. Royal Oak Dairy												
Net Earnings	131,894	90,058	96,206	141,027	129,591	148,213	171,811	176,279	192,266	191,344	168,656	
Profit before taxes	118,403	68,383	71,442	112,004	101,714	110,839	137,650	136,197	147,849	135,791	99,227	
Net profit after taxes												
Total taxes	61,141	42,048	45,611	69,891	61,714	55,839	69,650	75,197	81,849	82,791	61,227	
Total sales												
Capital investment												
4. Silverwood Dairies												
Net Earnings	1,645,218	1,994,416	1,631,797	2,173,886	2,135,442	2,137,981	2,928,300	3,071,353	3,214,871	3,408,777	3,262,177	
Profit before taxes	995,946	1,333,869	929,533	1,359,766	1,324,582	1,301,366	2,020,854	2,134,128	2,236,949	2,387,383	2,163,175	
Net profit after taxes												
Total taxes	528,946	726,869	568,533	809,766	732,582	609,386	978,854	1,075,128	1,151,949	1,267,383	1,133,175	
Total sales	22,923,551	29,678,524	31,673,240	31,552,371	31,521,198	33,755,677	35,064,313	35,168,159	34,516,244	35,991,661	37,059,914	
Capital investment	2,399,043	2,598,358	3,501,688	3,845,830	4,130,823	4,258,507	4,327,177	5,026,241	5,828,015	7,044,831	7,358,009	

continued on next page

Table 10c. (Cont'd). STATISTICAL RECORD OF FOOD COMPANIES, CANADA, 1946-1956

	Dairy Companies	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5. United Dairies Ltd.												
Net Earnings	48,353,588	48,181,441	48,278,627	52,583,119	56,928,188	56,329,564	57,643,656	61,732,953	62,320,112	64,141,414	65,713	520,414
Profit before taxes	6,963,139	7,363,930	7,623,122	9,232,324	9,501,069	9,895,867	10,866,815	12,214,105	12,524,521	12,524,521	200,387	265,522
Net Profit after taxes	2,524,638	3,159,097	2,935,150	3,106,902	4,356,506	4,504,155	4,754,835	4,999,057	4,999,057	4,999,057	4,999,057	4,999,057
Total sales	1,100,406	1,604,264	1,563,122	1,534,474	2,632,682	2,570,532	2,683,733	2,863,233	2,754,112	2,754,112	1,307,626	1,224,721
Capital investment	584,501a/ 672,813	855,935a/ 965,428	792,223a/ 891,157	585,478a/ 701,935	1,055,815a/ 1,286,981	1,039,475a/ 1,300,367	1,218,620a/ 1,359,937	1,307,626	1,224,721	1,224,721	1,400,243	1,525,243
Net Profit as a % of total sales	1.2	1.8	1.6	1.1	1.9	1.8	2.1	2.1	2.0	2.0	12.5	12.5
Net Profit as a % of Capital Investment	9.7	13.1	11.7	7.6	13.5	13.1						

a/ Data of two companies, No. 1 and 4.

b/ Data of four companies, No. 1, 2, 3, and 4.

c/ Data of five companies, Nos. 1 to 5.

d/ Net profit plus taxes payable.

e/ Capital stock plus capital surplus plus earned surplus.

Sources: Survey of Industrials, Financial Post, Toronto, 1946-1957; and Moody's Industrials.

Table 10d. STATISTICAL RECORD OF FOOD COMPANIES, CANADA, 1946-1956

Bakery Companies	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
(Thousands of Dollars)											
1. Canada Bread											
Total Sales	4,227	4,370	4,445	2,019	2,098	2,145	2,475	2,435	2,756	2,979	3,271
Capital investment	809	850	875	794	1,126	1,094	1,041	1,100	1,378	1,233	1,704
Net earnings	513	426	386	200	287	269	233	118	505	393	542
Profit before taxes	318	269	251	126	162	129	167	118	353	306	374
Net profit after total taxes				1.8	1.5	.7	.9				
Net profit as a % of Sales											
2. George Weston											
Total sales	10,392	11,812	21,577	22,520	23,183	28,774	29,740	30,267	31,210	41,594	45,917
Capital investment	3,704	3,721	4,207	5,034	5,617	4,990	7,025	7,325	7,221	9,874	11,933
Net earnings	2,849	2,597	2,912	3,348	3,680	3,171	5,090	4,452	4,234	5,706	7,556
Profit before taxes											
Net profit after total taxes	1,199	1,190	1,557	1,691	1,932	1,679	2,290	2,302	2,342	3,168	4,323
Net profit as a % of Sales											
3. General Bakeries											
Total sales	1,153	1,190	1,251	1,324	1,370	1,522	1,735	1,859	1,975	2,058	2,243
Capital investment	291	234	294	422	453	658	851	890	673	920	1,023
Net earnings	196	69	103	147	241	432	569	571	316	210	290
Profit before taxes											
Net profit after total taxes	121	42	62	83	131	205	276	293	166	133	160
Net profit as a % of Sales											
4. David & Frere											
Total sales	727	865	1,101	1,364	1,549	1,649	1,804	1,981	2,250	2,658	2,862
Capital investment	174	406	499	582	633	549	708	801	981	927	781
Net earnings	156	386	475	549	463	374	535	640	807	739	612
Profit before taxes											
Net profit after total taxes	88	214	301	335	263	190	258	342	435	490	427
Net profit as a % of Sales											
5. Consolidated Bakeries											
Total sales	4,319	4,339	4,427	4,504	4,662	4,954	5,236	5,586	5,894	6,076	6,197
Capital investment	1,014	537	592	748	462	708	1,103	1,065	1,099	926	965
Net earnings	893	459	313	333	217	299	503	686	508	304	307
Profit before taxes											
Net profit after total taxes	499	359	252	247	233	452	521	433	294	291	294
Net profit as a % of Sales											

continued on next page...

Table 10d. (Cont'd). STATISTICAL RECORDS OF FOOD COMPANIES, CANADA, 1946-1956

Bakery Companies	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
(Thousands of Dollars)											
Total of Five (1 to 5) Companies											
Capital investment	20,818	22,576	32,801	31,731	32,862	39,044	40,990	42,178	44,085	55,365	60,495
Net Earnings	5,992	5,748	6,467	7,580	8,291	7,999	10,728	11,181	11,352	13,885	16,462
Profit before taxes	4,607	3,937	4,189	4,577	4,888	4,545	6,930	6,467	6,370	7,352	9,309
Net profit after total taxes	2,225	2,074	2,423	2,482	2,646	2,436	3,443	3,576	3,729	4,391	6,075
Net profit as a % of Capital Investment	10.7	9.2	7.4	7.8	8.1	6.2	8.4	8.5	8.5	7.9	10.0

Source: Survey of Industrials, Financial Post, Ottawa, 1946 - 1957.

Table 11. FOOD EXPENDITURES: PER CAPITA; AS A PERCENTAGE OF DISPOSABLE INCOME; AND AS A PERCENTAGE OF PERSONAL EXPENDITURE ON CONSUMER GOODS AND SERVICES, CANADA, 1935-1956

Year	Total \$ Million	Per Capita in terms of		Percentage of	
		Current Dollars	1949	Disposable Income	Personal Expenditure on Consumer Goods & Services
					%
1935	791	72.94	156.5	24.0	24.4
1936	850	77.63	-	-	24.6
1937	934	84.56	-	-	24.7
1938	915	82.05	-	-	24.0
1939	919	81.57	-	-	23.5
1940	1,055	92.70	178.3	21.9	24.0
1941	1,286	111.76	-	-	25.5
1942	1,518	130.26	-	-	27.5
1943	1,655	140.31	-	-	28.9
1944	1,769	148.08	-	-	28.6
1945	1,885	156.15	238.4	22.4	27.7
1946	2,085	169.62	-	-	26.1
1947	2,407	191.78	-	-	26.2
1948	2,751	214.54	-	-	27.2
1949	2,882	214.32	-	-	26.3
1950	3,039	221.63	216.0	24.0	25.3
1951	3,488	248.98	212.8	23.8	26.3
1952	3,669	253.75	217.7	23.1	25.5
1953	3,747	252.41	224.2	22.4	24.8
1954	3,881	253.88	226.3	23.1	24.4
1955	4,065	258.95	231.0	22.3	23.7
1956 a/	4,326	269.01	237.2	21.6	23.3

a/ Preliminary subject to revision.

Sources: National Accounts, Income and Expenditure: 1926 - 1950 (1949) and 1950 - 1956, Dominion Bureau of Statistics, Ottawa; and The Economic Annalist, Canada Department of Agriculture, Ottawa, August, 1957.

Table 12. PER CAPITA CONSUMPTION OF CERTAIN FOODS AND CLASSES OF FOODS, CANADA, 1926-1955

Year ^{a/}	Milk pt/day	Other		Dairy Products except Butter		Meats		Eggs doz.		Poultry Meat		Oil and fats		Cereal Products ^{b/}	
		Dairy	Products	1 lb.	1 lb.	1 lb.	1 lb.	doz.	lb.	lb.	lb.	lb.	lb.	lb.	lb.
1926	.86			13.2	-			23.4	9.4					190.2	
1927	.81			13.4	-			24.1	9.6					198.8	
1928	.78			14.2	-			24.8	9.8					193.9	
1929	.75			15.3	-			24.8	10.7					181.6	
1930	.80			15.2	-			24.4	11.3					187.9	
1931	.86			13.1	-			24.9	10.4					184.6	
1932	.84			10.8	-			24.0	12.5					189.6	
1933	.83			10.7	-			22.8	14.0					185.1	
1934	.85			11.4	-			22.3	17.1					182.8	
1935	.84			12.5	115.5			22.6	18.7					189.8	
1936	.85			14.0	119.7			21.8	18.6					184.0	
1937	.83			15.4	112.3			21.6	18.3					177.0	
1938	.89			15.9	117.6			20.9	18.1					192.6	
1939	.88			20.3	114.1			21.4	19.7					200.1	
1940	.81			20.7	121.1			20.1	20.6					172.5	
1941	.81			23.8	133.2			20.0	20.6					173.0	
1942	.87			26.6	144.3			21.2	24.5					197.6	
1943	.93			29.2	149.0			21.5	23.5					192.3	
1944	.97			27.0	152.7			21.1	24.8					192.3	
1945	.98			29.2	145.6			20.5	25.3					208.6	
1946	.97			29.2	135.3			20.6	21.7					191.8	
1947	.93			36.1	140.6			20.6	23.4					170.7	
1948	.87			35.8	128.4			19.2	18.2					146.8	
1949	.85			35.2	133.6			17.7	20.1					157.0	
1950	.84			38.1	126.0			17.9	20.5					166.0	
1951	.83			39.2	128.9			18.0	23.1					164.3	
1952	.82			39.9	131.2			22.1	28.6					160.0	
1953	.83			41.5	138.8			22.7	26.2					138.8	
1954	.82			41.2	147.3			24.3	28.4					155.6	
1955	.83			42.7	150.8			23.8	29.5					154.3	

^{a/} The year used is the crop year for cereal products and the calendar year for all other products.^{b/} Includes rice and prepared breakfast foods. Year-to-year fluctuations are partly due to the lack of complete data on flour inventories in all positions.

Table 13. QUANTITIES OF SELECTED FOODS PURCHASABLE WITH ONE HOUR'S INDUSTRIAL WAGES, CANADA,
1939 and 1944-1956

Year	Bread	Flour	Milk	Butter	Cheese	Round Steak	Blade Roast	Pork Loins	Bacon	Eggs	doz.
	24 oz. loaves	lbs.	qts.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	doz.	
1939	5.2	13.8	4.4	1.7	1.8	2.1	2.9	1.8	1.4	1.4	
1944	7.1	17.2	6.9	1.8	1.7	1.9	2.6	1.9	1.4	1.6	
1945	7.-	17.3	6.7	1.8	1.7	1.8	2.7	1.8	1.3	1.5	
1946	7.1	17.5	5.7	1.6	1.6	1.7	2.7	1.7	1.2	1.4	
1947	7.4	17.9	5.3	1.5	1.7	1.8	2.8	1.7	1.2	1.6	
1948	6.8	15.-	5.1	1.3	1.6	1.6	2.2	1.6	1.1	1.5	
1949	6.7	14.1	5.5	1.5	1.7	1.5	2.-	1.5	1.2	1.6	
1950	6.7	14.2	5.7	1.7	1.8	1.3	1.8	1.6	1.3	1.8	
1951	6.8	15.8	6.-	1.7	1.8	1.2	1.6	1.6	1.4	1.6	
1952	7.3	17.4	6.1	2.-	1.9	1.4	2.-	2.-	1.9	2.2	
1953	7.5	17.9	6.4	2.1	1.8	2.6	1.9	1.6	2.-		
1954	7.5	18.3	6.7	2.2	2.2	2.-	2.9	1.9	1.5	2.5	
1955	7.7	19.5	6.8	2.2	2.2	2.-	2.9	2.1	1.9	2.3	
1956	7.6	19.9	7.1	2.4	2.2	2.-	3.1	2.1	1.9	2.4	

Source: The Economic Annalist, Canada Department of Agriculture, Ottawa, August, 1957.

Table 14. AVERAGE EXPENDITURE FOR FOOD BY FAMILY TYPE,
CANADA, 1953

	Dollars per Family	Dollars per Person
2 Adults 1 Child	1,127	383
2 Adults 2 Children	1,295	330
2 Adults 3 Children	1,497	307
2 Adults 4 Children	1,461	258

Source: City Family Expenditure 1953, Reference
Paper No. 64, Dominion Bureau of
Statistics, Ottawa, p. 10.

Table 15. NON-FARM INCOME
DISTRIBUTION BY UNATTACHED INDIVIDUALS AND FAMILIES a/
(NUMBER AND PERCENT), 1954

Income Group	All Individuals and Families		
	Number	%	Accumulated %
Under \$500	220,000 <u>b/</u>	5.6	-
\$ 500 - \$ 999	296,000	7.5	13.1
\$ 1,000 - \$1,499	307,000	7.8	20.9
\$ 1,500 - \$1,999	270,000	6.9	27.8
\$ 2,000 - \$2,499	348,000	8.9	36.7
\$ 2,500 - \$2,999	382,000	9.7	46.4
\$ 3,000 - \$3,499	405,000	10.3	56.7
\$ 3,500 - \$3,999	378,000	9.6	66.3
\$ 4,000 - \$4,499	317,000	8.1	74.4
\$ 4,500 - \$4,999	211,000	5.4	79.8
\$ 5,000 - \$6,999	491,000	12.5	92.3
\$ 7,000 - \$9,999	198,000	5.-	97.3
\$10,000 and Over	107,000	2.7	100.-
TOTAL	3,930,000	100.-	-
AVERAGE INCOME	-	\$3,654.	-
MEDIAN INCOME	-	\$3,174.	-

a/ In Reference Paper No. 52 the term "family" included "unattached individuals". To avoid confusion the full description "families and unattached individuals" is used in this Paper. Despite the change in terminology, this table is comparable to the similar table in the 1951 study.

b/ This figure includes 48,000 families with no income during the year; these consist mainly of newly formed family units (largely unattached individuals).

Source: Distribution of Non-Farm Incomes in Canada by size, 1954,
Reference Paper No. 66, Dominion Bureau of Statistics, Ottawa,
p. 19.

Table 16. FARM SHARE AS A PERCENTAGE OF RETAIL PRICE, NINE SELECTED COMMODITIES, CANADA,
1935-1956

Year	Potatoes	Eggs b/ all Grades	Fluid Milk	Creamery Butter	Cheese, plain process	Beef c/ Comm. Quality	Wheat Flour	White Bread	Canned Tomatoes
1935	50.8	70.9	33.1 ^r	58.2	27.6	51.1	31.6	12.5	15.8
1936	62.8	74.2	37.-	60.5	26.6	48.6	38.8	15.5	15.1
1937	53.3	74.6	34.5	62.9	26.3	57.7	41.-	19.1	14.-
1938	57.3	75.-	34.-	62.-	25.7	50.7	24.8	10.6	15.5
1939	62.5	74.6	35.4	61.4	27.4	54.8	28.-	9.7	15.6
1940	56.-	72.5	37.3	61.8	27.-	57.-	27.3	10.-	14.2
1941	55.2	70.3	40.-	70.1	28.-	61.2	28.6	10.6	15.9
1942	57.5	69.7	44.5	71.7	31.6	65.5	31.7	12.-	17.-
1943	63.9	71.-	44.5	73.8	33.9	65.-	37.5	15.3	17.9
1944	57.6	72.2	47.6	74.5	35.-	63.8	39.8	17.1	18.5
1945	61.5	73.7	48.9	74.7	33.6	64.-	41.-	17.3	20.-
1946	62.4	76.7	50.6	75.9	36.1	64.9	43.7	18.3	20.8
1947	55.9	77.9	53.6	77.-	36.9	65.4	40.7	17.5	18.8
1948	54.4	78.9	54.6	80.5	39.2	70.2	41.5	16.9	15.-
1949	48.0	82.-	56.-	76.-	35.-	64.-	49.-	23.-	20.-
1950	45.-	78.-	55.-	75.-	32.-	67.-	46.-	21.-	21.-
1951	49.-	80.-	54.-	79.-	35.-	71.-	42.-	18.-	18.-
1952	61.-	74.-	54.-	77.-	27.-	62.-	39.-	16.-	17.-
1953	43.-	77.-	54.-	77.-	27.-	57.-	41.-	17.-	21.-
1954	45.-	73.-	53.-	78.-	28.-	58.-	35.-	14.-	22.-
1955	41.-	76.-	53.-	77.-	27.-	59.-	38.-	15.-	21.-
1956 a/	41.-	74.-	52.-	77.-	37.-	57.-	37.-	14.-	18.-
a/ Preliminary	b/ from 1949	c/ from 1949-Grade A Large			c/ from 1949-Blue Brand Quality				

Sources: Marketing Margins for Selected Canadian Agricultural Products 1935-1948, Canada Department of Agriculture, Economics Division, Marketing Service, Ottawa, 1949.
The Economic Annalist, Canada Department of Agriculture, Ottawa, June, 1957.

Table 17a. OPERATING RESULTS OF CHAIN FOOD STORES, CANADA
1947-1955

Item	Grocery		Meat		Combination 1947	1947	1955	Meat 1955
	1947	1955	1947	1955				
1. No. of Firms	17	6	24	22	11	6	50	50
2. No. of Stores	245	152	832	1,002	88			
3. Average Net Sales per Firm	1,192,418	6,074,644	11,083,389	40,225,764	681,430	1,258,143		
4. Average Net Sales per Store	82,739	239,789	319,713	883,200	85,179	150,977		
5. Average Cost of Goods Sold	68,840	201,350	268,592	737,950	67,711	122,669		
6. Gross Margin (4-5)	13,899	38,439	51,121	145,250	17,468	28,308		
7. Gross Margin (% of Sales)	16.80	16.03	15.99	16.45	20.51	18.75		
8. Analysis of Gross Margin	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
(1) Salaries								
(a) Executives	.93	5.5	.61	3.8	.42	2.6	.24	1.5
(b) Employees	8.49	50.5	8.14	50.8	7.96	49.8	7.43	45.2
(c) Employee Benefits	<u>0.12</u>	<u>.8</u>	<u>0.18</u>	<u>1.1</u>	<u>0.22</u>	<u>1.4</u>	<u>.28</u>	<u>1.7</u>
Total	9.54	56.8	8.93	55.7	8.60	53.8	7.95	48.4
(2) Occupancy	1.27	7.6	1.94	12.1	.88	5.5	1.39	8.4
(3) Taxes, Licenses	<u>.10a/</u>	<u>.6</u>	<u>.14a/</u>	<u>.9</u>	<u>.23</u>	<u>1.4</u>	<u>.15</u>	<u>.9</u>
(4) Depreciation	<u>.29a/</u>	<u>1.7</u>	<u>.80a/</u>	<u>5.</u>	<u>.31</u>	<u>1.9</u>	<u>.67</u>	<u>4.1</u>
(5) Advertising	.35	2.1	.89	5.6	.51	3.2	.91	5.5
(6) Supplies	.75	4.5	.91	5.7	.71	4.4	.96	5.8
(7) All Others b/	4.50	26.7	2.42	15.0	4.75	29.8	4.42	26.9
All Other Expenses	2.14	12.7	1.71	10.6	1.99	12.5	1.37	8.3
Net Operating Profit	2.36	14.-	.71	4.4	2.76	17.3	3.05	18.6

a/ Excludes amount attributed to real estate which is included in occupancy.
b/ Including, insurance, repairs, travelling & communication expenses, bad debt losses, delivery etc. and Net Operating Profit.

continued.....

Table 17a. (Cont'd). OPERATING RESULTS OF CHAIN FOOD STORES IN CANADA 1947-1955

Item	Total All Chain Food Stores			Ratio 1955-1947
	1947	1955	Food Stores	
1. No. of Firms	52	34		.65
2. No. of Stores	1,165	1,204		1.03
3. Average Net Sales per Firm	5,649,385	27,322,456		4.84
4. Average Net Sales per Store	252,161	71,564		3.06
5. Average Cost of Goods Sold	211,412	644,642		3.05
6. Gross Margin (4-5)	40,749	126,922		3.11
7. Gross Margin (% of Sales)	16.16	16.45		1.02
8. Analysis of Gross Margin	(1)	(2)	(1)	(3)
(1) Salaries				
(a) Executives	.47	2.88	.27	.56
(b) Employees	8.05	49.86	7.48	.91
(c) Employee Benefits	.22	1.34	.27	1.25
Total	8.74	54.08	8.02	48.78
				.90
(2) Occupancy				
(3) Taxes, Licenses	.92	5.67	1.40	8.54
(4) Depreciation	.21	1.31	.15	.89
(5) Advertising	.31	1.90	.68	4.14
(6) Supplies	.50	3.07	.90	5.50
(7) All Others	.72	4.43	.96	5.81
All Other Expenses	4.76	29.54	4.34	26.34
Net Operating Profit	2.02	12.51	1.39	8.43
	2.74	17.03	2.95	17.91
				.67
				1.05

Sources: Operating Results of Retail Food Chains, 1947, and
Operating Results of Chain Food Stores, 1955, Dominion Bureau
of Statistics, Ottawa.

- (1) As per cent of net sales.
- (2) Percentage distribution of gross margin.
- (3) Change in percent of net sales, 1955 to 1947.

Table 17b. OPERATING RESULTS OF CHAIN FOOD STORES, CANADA, 1947-1955

	1947	GROCERY	1955	1947	COMBINATION	1955	1947	MEAT	1955
Sales	20,271,106	36,447,864		266,001,336	884,966,808	7,495,730	7,548,858		
Gross Margin	3,405,530	5,842,593		42,533,470	145,577,040	1,537,400	1,415,411		
Per Cent Margin	16.80	16.03		15.99	16.45	20.51	18.75		
Salaries:									
a. Executives	187,304	222,019		1,105,870	2,183,656	75,732	72,186		
b. Employees	1,719,793	2,968,037		21,181,668	65,800,822	770,143	760,070		
c. Employees benefits	27,244	64,268		595,469	2,474,810	11,994	7,077		
Total	1,934,341	3,254,324		22,883,007	70,459,288	857,869	839,122		
Occupancy	258,820	706,954		2,339,341	12,228,471	92,244	123,141		
Taxes, Licenses	20,433	52,583		595,469	1,310,193	6,150	5,662		
Depreciation	57,894	292,130		808,136	5,968,659	33,823	69,355		
Advertising	71,516	327,185		1,361,070	8,006,737	27,673	65,109		
Supplies	153,249	333,028		1,871,473	8,443,468	76,870	96,248		
All Others	909,277	876,389		12,674,974	39,160,224	442,771	216,557		
All other expenses	432,361	619,256		5,309,547	12,135,753	197,343	132,035		
Net Operating Profit	476,916	257,133		7,365,427	27,024,471	245,428	84,522		

continued on next page

Table 17b. (Cont'd) OPERATING RESULTS OF CHAIN FOOD STORES, CANADA, 1947-1955

	TOTAL ALL CHAIN STORES					
	1947	\$	%	1955	\$	%
Gross Margin	47,476,400	100.0		152,835,044	100.0	
Salaries:						
a. Executives	1,368,906	2.88		2,477,861	1.62	.47
b. Employees	23,671,604	49.86		69,528,935	45.49	8.05
c. Employees benefits	634,707	1.34		2,546,155	1.67	.22
Total	25,675,317	54.08		74,552,951	48.78	8.74
Occupancy	2,690,405	5.67		13,058,566	8.54	.92
Taxes, Licenses	622,052	1.31		1,368,438	.89	.21
Depreciation	899,853	1.90		6,330,144	4.14	.31
Advertising	1,460,259	3.07		8,399,031	5.50	.50
Supplies	2,101,592	4.43		8,872,744	5.81	.72
All Others	14,027,022	29.54		40,253,170	26.34	4.76
All Other Expenses	5,939,251	12.51		12,887,044	8.43	2.02
Net Operating Profit	8,087,771	17.03		27,366,126	17.91	2.74
						2.95

Sources: Operating Results of Retail Food Chains, 1947, and
Operating Results of Chain Food Stores, 1955, Dominion Bureau of Statistics, Ottawa.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 1191 -

Hon. Mr. Nollelt

THE CHAIRMAN: This will be Exhibit No. 23.

EXHIBIT NO. 23: Brief of the Government
of Saskatchewan.

HON. MR. NOLLETT: Now I think sir in general when one tries to summarize, and this thing has been summarized repeatedly throughout the brief, and I think the conclusions have been stated over and over in different language, but when one looks at the entire picture, these things seem to emerge, in my mind we have this situation:

We have our agricultural industry, and mostly depressed condition, and the farmers have felt in this province and elsewhere that they were called upon during the period of World War II to subsidize cheap food as a patriotic responsibility, and they responded very well. In the post-war period it was indicated the farmers, because of those sacrifices made, that farm income would not be committed to again drop to ruinous levels.

Now we see the situation developing very rapidly where our agricultural industry is going back to a very serious depressed economic condition. It is most unfortunate that in this whole period of time when marketing margins were widening, and the prices to the consumer relatively stable, in comparison to increases in consumer income generally, that the farmer had been called upon to take less and less for his commodity, and at the same time that he was subjected to ever-increasing costs.



Farm costs have gone up tremendously. It was for that reason that I rather regretted that the Commission were not given broader Terms of Reference so that they could look into this aspect of farm costs.

In the minds of many of the consumers, I am of the opinion that when they take this little package of carefully selected carrots, for example, all of a uniform size and shape, and pays a goodly price for that little package, the housewife often says to herself my these farmers must be doing well, and so had there been an inquiry made, or your Terms of Reference permitted inquiry into the cost aspect of farm operations in relation to the price that he is receiving, I am sure the consumer would have had a much better picture as to who the culprit in the woodpile really is in this whole matter of the price of food.

Now, I know this, that when your final recommendation is made to the Government the Government is going to pass on some very important decisions, and I am quite certain that one of them is going to be there will be no increase, no matter what happens, either increased prices to the farmer, for example the consumer will not be called upon to carry that added cost whatever it may be. There are political factors, the first one and a justifiable reason, I think, is subsidizing the consumer purchases on food. A good deal has been mentioned of low income groups. I recognize low income groups are receiving some benefit under the family allowance scheme, perhaps it is not enough. When this matter of farm income



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is related to what a farmer actually ought to receive, I am rather inclined to think that the principle of deficiency payments is going to become more popular.

As I see it, possibly the only choice that the Government might have, that is on deficiency payments on behalf of making a difference in the price the farmer receives, and the consumer pays, provided of course that we have achieved the greatest possible efficiency in processing the marketing of farm commodities with that in mind. Deficiency payments will insulate the farmer against loss of income, stabilized income, and at the same time enable the low income groups and the consumer aspects of society to buy food at reasonable prices. I believe that in any marketing scheme deficiency payments will play a most important part.

Reference in this brief has only been made to the Livestock Marketing and Livestock Marketing Board in general. I think what the farmers would like to see would be an improvement in our grading system to the farmer and the grades for different farm commodities be carried right to the retail level protecting both the farmer and the consumer. Should we have a Marketing Board, which I believe we are coming to, with price fixing powers that of necessity must be a National board. The National Government have the resources to control the fiscal policy to do these things.

Appropriate price spreads should be fixed between the various grades of agricultural commodities



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to the farmer and carried right to the consumer in order that the consumer cannot take a rooking -- and he has been taking a good rooking. I think that a great deal can be done in this whole field of protecting the farmer and the purchaser, protecting the farmer and protecting the purchaser against being exploited and paying excessively high prices.

I would suggest that one of the first things that will of necessity be done in connection with your inquiry. I am of the opinion an agency ought to be set up similar to our Provincial Milk Control Board that will supervise and administer this whole question of processing and marketing under it. That would provide the greatest possible efficiency to cut out unnecessary costs, and I would say the Government costs of processing and distributing and provide information to consumers on this matter and to take a continuing look at this shifting scene of the field of processing and distributing food stuff. With that type of agency established and a sound marketing and farm income policy for Canada fully implemented and well supported by deficiency payments I am sure we can find a solution to these very difficult problems.

I don't think the solution is too difficult provided the people make up their minds they are going to implement the recommendations and I hope your recommendations to the Government, sir, will be most constructive, and I hope they will be implemented. We have had a similar inquiry, as you no doubt know, in the early thirties. It gathered



a good deal of valuable information and a lot of people became greatly concerned about the problem, but nothing much has been done. We hope the results will be different as a result of your deliberations.

THE CHAIRMAN: Thank you, Mr. Nollett. I would like to have a break now. I have one or two comments that I would like to make on your submission. We will break for five or ten minutes.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Mr. Nollett, I appreciate how difficult it is to carry on the extra curricular activities when you are at home. I hope you got back to your office, and were able to clear up a number of points at the break. I presume that is what you had to do. I hope we did not hurry you.

We have had an opportunity to read through this brief, and I would like to say that we appreciate the thoughtful nature and the amount of work that has been done on it, and the accumulation of a good deal of material in the statistical appendix, which will be very helpful to us.

We are very grateful to you for your statement with regard to the limits of our Terms of Reference. I think I should say that in relation to such matters as deficiency payments or consumers' subsidies, those two matters referred to on page 19, it is our feeling that these fall outside our



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Terms of Reference. We, I think, fully appreciate the relationship of these things to the farm problem.

With respect to marketing boards, it is our view that on certain assumptions these are relevant to our Terms of Reference, and we are receiving evidence on marketing boards. I would like to say if you or your advisors feel that the matter of deficiency payments does bear on the question of spreads we would be glad to receive argument to that effect, but our view is that they are really outside our Terms of Reference.

However, in the case of marketing boards we are prepared to recognize that they may very well affect the spread and therefore do come within our Terms of Reference.

HON. MR. NOLLETT: You are speaking of Provincial marketing and producer marketing boards?

THE CHAIRMAN: Yes. I would like to ask you a few questions. I wonder if I may suggest that I will direct them to Mr. Schwartz, as one economist to another.

HON. MR. NOLLETT: It would suit me fine.

THE CHAIRMAN: Perhaps we speak the same language, and I appreciate your reference to the working of this quotation on page 12. You know when one economist makes a comment on a statement of another economist, he invariably precedes it with the phrase "If I understand you correctly". This is a general introduction to the question I would like to put to Mr. Schewartz. Of course, if you or Mr. Horner wish to answer, please do.



I will try to run through these by pages, so we can pick up some of the points.

On page 1 of the introduction there is a statement in the third paragraph and at the end "So the farmer, too, has a vital interest in minimizing the price spread".

I presume that means "for the same services"?

MR. SCHWARTZ: That is correct, for the same services.

THE CHAIRMAN: The last sentence in the next paragraph reads "Consumers and farmers have both suffered as a result". My question here is how far it is correct to say that in the last eight or nine years the consumer has suffered. There are a number of references to the movement of retail prices in the brief and I am not sure that they are wholly consistent to that effect. May I just refer to one or two places where this matter comes up.

MR. SCHWARTZ: Yes.

THE CHAIRMAN: On page 7, there is a statement "It appears then that food prices have not advanced more rapidly than the price in general, nor have food expenditures come to consume a larger part of the average Canadian's income." This does not suggest too great a suffering on the part of the consumer actually.

Again on page 8 you say "Retail food prices have remained relatively stable declining by 3 per cent". This, I think, is not consistent with the statement on page 1 of the introduction,



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"The consumer index on food prices at the end of 1957 was actually higher than it was in 1951." Would you care to comment on those?

MR. SCHWARTZ: Yes, Mr. Chairman, first of all the term "suffering" is not related as an absolute measure of actual agony as such. The consumer has suffered in a rather technical sense. He has not benefitted from the declining farm prices.

It is true that prices to the consumer have remained either stable or slightly declining but if no other occurrence happened, than the very sharp reduction in farm prices, would have automatically meant some corresponding reduction in the level of prices to the consumer. That has not happened to any large extent.

The increase in the marketing margin has absorbed all the decline in farm prices; as a result the consumer has not benefitted really. The word "suffered", is maybe perhaps not indicative of what we had in mind.

THE CHAIRMAN: You pointed out somewhere else that the purchasing power has increased in terms of food prices; that the consumer's dollar will in terms of income buy more food.

MR. SCHWARTZ: That is true. We also pointed out that the consumer in general was spending a smaller proportion of his disposable income on food. I think it is 21.6 compared with 23 per cent or so in more distant years.

THE CHAIRMAN: So that your point is really



that prices to consumers might have fallen?

MR. SCHWARTZ: Might have fallen far more than they actually have. That really is the point.

THE CHAIRMAN: I would like your views on this point. In connection with the consumer index on food prices, that index as published includes the prices of imported foods, tea, coffee, citrus fruits. Now that index indicates some increase between 1956 and 1957 in the consumer's index of food prices, but if you eliminate the imported items, then the index has in fact gone down.

Would you feel that the elimination of imported foods from the index would add to the relevance of the index for our purposes?

MR. SCHWARTZ: I certainly do, Mr. Chairman. I might even go further. I have been unable to get any historical theories on the amount of food which is consumed in Canada which is of Canadian origin. We do have a figure for 1956, but on inquiry we find that we couldn't get historical theories so we have the total consumption of food which is over \$400 million. It is assumed that three-quarters, roughly speaking, is of Canadian origin, but we would like to get the separation between imported foods and those which are Canadian origin.

As a matter of fact, we just go one step further; we would like to get a complete separation between foods and beverages. We cannot seem to get that separation. As a result, we have some extraneous matters of the statistical theories.



THE CHAIRMAN: Many of us find it difficult to separate foods from beverages. We are not concerned with beverages, but I think it will be possible for us to eliminate the imported foods, and this may make some difference to the movement of prices.

On page 3 in your discussion on labour costs, there is at least one point I would like to pick up here. I might say we are pretty conscious of the difficulties of getting significant measure of changes in labour productivity. We are not unfamiliar with the problem. For example, the bottom of the fourth paragraph you point out that the value added per employee increased 96 per cent. This of course was accomplished by some increase, I don't know the magnitude of it, of investment per employee, and part of that increase then could be attributed to the added capital per employee. That would be so?

MR. SCHWARTZ: Yes, that is certainly true. I don't think there is any way of suggesting that any amount of this productivity can be attributed mainly to people working harder, or more efficiently as such. I think that the fact that an employer in industry becomes more capitalized, and as we pointed out in our brief, there has been an investment of \$577 million in new capital invested in the last, I think eight or nine years in industry.

I think one of the rationals for this new investment is the fact that people working in industry will work more productively with the use of new equipment.



THE CHAIRMAN: You point out in the section dealing with depreciation, just the point that I am making, that there are some additional, other costs in achieving this value added per employee.

MR. SCHWARTZ: Yes. Actually those costs, like added rental charges, in the case of premises which are leased, added interest cost on capital invested, in case of money that is borrowed, and so forth, actually are offsetting items.

THE CHAIRMAN: I would like to read the last paragraph on this page, page 3, and ask you if you would just elaborate on it, clarify it if possible for our help.

"It is clear that, in general, increases in labour productivity in food processing more than match increases in wage rates in the post-war period. It follows from this that labour costs per unit of service added cannot have increased appreciably. This in turn suggests that any increase in labour costs reflects primarily the addition of new services in the marketing process."

Now what is the distinction which you are making between the first sentence and the second sentence?

MR. SCHWARTZ: Well just to maybe go back one step, we are arguing again there that since the increase in labour productivity has matched the increase in per person wage or salary in the food industry, so far as we are able to have any data,



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that of necessity there should not have been any increase in the prices of the product produced, because the wage or salary paid, increase in the salary or wage paid has been justified by corresponding increases in productivity.

So that on any given unit of food product, the price for that should not be increased directly as a result of increase in per person wage or salary, so that any increase in the total labour bill would be the result of more people working and providing more and additional services; as far as producing any given unit of food product, there is more being produced per person which matches the increase in salary or wage paid to that person.

THE CHAIRMAN: I come back to the fourth paragraph, and again I will read the two relevant sentences:

"Referring again to table IV, earnings per employee in the food and beverage industry, in the decade 1945-1955, increased from \$1,438 to \$2,770, or 93 per cent. At the same time, value added per employee increased 96 per cent."

Now there is a 3 per cent difference there. You have already agreed with me that there are some offsetting costs?

MR. SCHWARTZ: That is right.

THE CHAIRMAN: I would assume, I have not had a chance to look at this closely, that the



offsetting costs to the extent that they can be measured, would more than offset that 3 per cent difference?

MR. SCHWARTZ: I think that is probably true. At the same time, there is no way of measuring this on a quantitative basis. As a matter of fact, we are unable to even separate the foods from the beverages, as I pointed out before, and we cannot draw any definite line and say so much is accounted for by this factor, and so much by the other factor. Really the point we are trying to make is quantitative terms.

If a total wage bill has risen, it has risen more because there are more people working in industry, and I think our figures would indicate that the number of persons employed in industry have gone up, and providing more services rather than because one individual person was getting more for doing the same kind of work.

Really that is the point we are trying to make there. We are unable to actually measure it more quantitatively than we have.

THE CHAIRMAN: Thank you. On page 5, and with reference to this question of product differentiation, which is brought up again later and discussed further, how far are the increased advertising costs specifically attributable to the specific factor of product differentiation?

MR. SCHWARTZ: I think, Mr. Chairman, you will find, if you look at the back of the brief,



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that is one case we are passing the buck to you. All we are saying here is that we are sure that it is one of the factors which has added to the cost, and that the lack of adequate data on this particular matter more or less militates against us going any further on it.

We just bring it up as a matter of fact for possible further investigation. We do feel though, that it is one, it is an important factor, important component item the fact that there **is** this product differentiation between brands, and so forth, competing brands, and that this particular aspect does add to the price paid by the consumer. To what extent we don't know. We know it is a factor and we feel that it is a subject worthy of further investigation.

THE CHAIRMAN: There is a problem then you agree of differentiation in the study of advertising costs as to the particular effects. From your technical knowledge, would you conclude that this would be a profitable statistical study to make?

MR. SCHWARTZ: I most certainly would. We do not believe that all advertising is bad. I think to the extent it adds to consumer knowledge and brings to consumer purchases, we feel it is quite advantageous, but we don't feel that duplication of advertising many competing brands which don't serve any purpose are advantageous either to the producer or to the consumer, and it is this particular field that we feel would be worthy of further investigation.



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THE CHAIRMAN: Do you know of any studies which have developed a technique for spreading out these things? It would be helpful if you did.

MR. SCHWARTZ: There have been some studies in the United States. We sort of checked on these and we did not believe they are either up to-date or relative to our particular study.

THE CHAIRMAN: Thank you. I am going on to page 9, the last sentence in the first full paragraph in the page. You use the term "the residual farm price as a result declined drastically." In what real sense can you refer to the farm price as a residual price? I know it is very easy to start from the farmer price statistically and take certain things off, but in terms of the timing of the process and the timing of the decisions on price making is it proper to refer to the farm price as a residual price?

MR. SCHWARTZ: Most economists claim, rightly or wrongly, the distributor or processor in establishing the price to the producer visualizes what the probable end price will be and the end established price to the producer. There is some conception formed in the mind of the processor as to actual retail prices and costs are established in the abstract sense. What is left is what the producer will get. The notion is the retail price will be going up and the farmer will probably get a larger price for the product. If the notion is the future price will be declining the farmer



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will receive a smaller one.

THE CHAIRMAN: Mr. Minister, in the presentation of your brief you refer to the paragraph on this page, which in a very brief and summary form describes the problem of different directions of movement are: "Farm costs have continued to climb, marketing margins have forged upwards, while farm prices have dropped sharply." This is the essence of the problem. We fully appreciate that.

Mr. Schwartz, there is a small point on page 10 in this discussion of the relative flexibility of farm prices, rigidity of margins, you conclude with the sentence: "This factor, too, strengthens the rigidity (or 'one-way flexibility') of marketing margins." I wonder why you included the parenthesis there when in the first paragraph in this section you imply a two-way rigidity? I presume if there is a two-way rigidity, there is a two-way flexibility?

MR. SCHWARTZ: Well, I think your point is well taken. The notion there is to try and emphasize the fact that once some of the costs, interest, costs of transportation, and so forth, are established they will not to any large extent go down in the event the farm price or retail price does go down. Once they are established they tend to stay up. That is why we put in one-way flexibility to emphasize the fact once the increase has taken place they tend to be sort of flexible in one direction only, if there is any further change it will be upward rather than



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down.

THE CHAIRMAN: This refers to processing over a period of time rather than processing at a point of time?

MR. SCHWARTZ: That is exactly right.

THE CHAIRMAN: This is one of these high-class parts the Minister was referring to, I think.

MR. SCHWARTZ: I should use the word orderly marketing rationalization of the marketing process. What is usually referred to in the general term of orderly marketing, where you more or less see the marketing change in its entirety and try to minimize any obstacles in the way from the time the farm product is sold by the farmer and the time it reaches the consumer to make sure of an unimpeded flow of goods from the farmer to the consumer.

THE CHAIRMAN: This adds to efficiency?

MR. SCHWARTZ: That is right.

THE CHAIRMAN: Do you think there is any tendency in the present method for this to move towards greater simplification and standardization? I wondered, in fact, if under rationalization you would include this. Let me put it the other way: As you develop towards what you describe as orderly marketing does it go along with that there is a tendency to simplification of the process and standardization?

MR. SCHWARTZ: Yes, I would think so to the extent routine and standardization do add to efficiency. I would include those terms under what I consider the five cylinder word rationalization



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of the marketing process.

THE CHAIRMAN: Might not this be one of the problems in connection with rationalization or orderly marketing that it does in fact create efficiency in terms of lower costs per unit, but it does this by a greater measure of standardization, whereas the consumer demand includes within it some desire for variation and variety.

MR. SCHWARTZ: Yes, Mr. Chairman. I think that if I may give my own view on this matter, I think it is not either one extreme or the other. I think it is true your consumer wants a choice in his product. I don't think he wants to be confused by 30 or more different brand products for a breakfast food. I think it would simplify his particular choice if he had less. Even if we standardize the packaging it would help to some extent. We have different sizes, not so much in food, but particularly -- I was thinking of soap flakes. Where it comes in king size and super size. I don't know how many different sizes. I think the consumer is confused with far too many varieties, different sizes and shapes and description, and so forth. I think a lot of development could be eliminated if it were standardized on, say, half a dozen types. I would not suggest a standardization which would only give the consumer one choice, but it could eliminate a lot of proliferation of brand.

THE CHAIRMAN: I do not want to appear rude by this question, but the point has been made

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at another time in our hearing that is what you think, but are you sure the consumers think the same way as you do?

MR. SCHWARTZ: I suppose we are all consumers in one way or another. I would not presume to speak for all consumers, far be it from me to speak for all consumers, but it could be that if consumers were aware of the cost to him or her, as the case may be, of these particular services, then I again would at least presume that -- you could say that the consumer may in that event decide that this is not reasonable.

THE CHAIRMAN: Yes. This point is made later in your brief, and has been made to us elsewhere. I think it is one of the points we will be working on.

On page 13 the second last paragraph, the last two lines:

"It is clear that the continuing integration of processing and distributing firms has already materially strengthened their dominant position relative to the unorganized individual producer (or consumer). Further, in a period of abundant supply such as the present, it is obvious that the farmer's wheat position is weakened even further."

Is there not an implication in that last sentence that the problem of control of supply is



necessarily involved in the producers' bargaining power, which is part of the problem of increasing bargaining power.

MR. SCHWARTZ: That is perfectly true. That is one thing that we are very aware of, the fact that under what you would call the operation of the marketing system, we do get recurrent gluts and surpluses as a result of farmers or producers as a whole underestimating or overestimating the probable size of the market.

One of the problems with which we find we are faced is that there is not any particular incentive on the part of most processors or handler to absorb all of the surplus, if I may use the term, "surplus" in a special sense, from the market in the event that the processor or distributor cannot see this surplus being turned into a profit at a later date.

The distributor, I think, is impelled primarily by the profit motive and will not embark upon any large significant storage operations to level out any seasonal gluts to any great extent unless he can be rewarded for it in the ultimate end. One of our problems is the fact that farmers once they have produced are in a very weak bargaining position.

THE CHAIRMAN: But there are three elements, are there not, in the problem of control of supply. One is the uncontrollable variations due to weather, and next there is the factor of a large number of producers making their decisions



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independently, and there is the third factor and that is the relation between quantity and price. For example, in your Milk Control, you have a quota system and it is fair to conclude, I would think, that it would be very difficult to maintain the Milk Control system without a quota. This comes back, I think, to the point that if you are going to strengthen the bargaining position of farmers in the market you have to have control of supply. Is that right?

MR. SCHWARTZ: That is true. For that reason in the policy recommendations we do suggest various forms of marketing boards. We also suggest in that same context that the producer have more adequate forward pricing information so that he can more adequately gear his production efforts to meet probable future limits of demand.

THE CHAIRMAN: Thank you. In the following paragraph you pick up the point that is actually included in the paragraph and sentence that I read. You refer to the bargaining power of consumers. How do we go about increasing the bargaining strength of consumers?

MR. SCHWARTZ: The thought in mind here was that perhaps through organization of consumer co-operatives where they purchase -- through which the consumer could buy more or less at cost; that in effect the consumer could materially strengthen his -- well I think it is -- weak, in a sense, bargaining position.

THE CHAIRMAN: How do you account for the



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fact that although consumers co-operative organizations are, in a classical aspect, a co-operative organization the development of producer co-operatives has gone much further in, let us say, Western Canada, than consumers co-operatives? I do not know whether you have any consumer co-operatives in Saskatchewan or not. Do you?

MR. SCHWARTS: We do have. There is one right here in Regina, the Sherwood co-op, which is a consumer co-op in that sense.

Returning to your question, Mr. Chairman, the feeling is that some people think, in looking at our so-called producer co-operatives, that they are actually consumer co-ops in the sense that the people who are patronizing them are actually consuming services. In other words the people who patronize the Saskatchewan Wheat Pool are in fact buying a service. It is the farmers who are consuming the service at that level. I do not want to go into the semantics.

I think to answer your question more directly, the greater progress which has been made has come about through dire necessity; that the problems on the producer level have been far more accentuated and the farmer has had a self-help organization far more so than the consumer.

THE CHAIRMAN: Mr. Minister, I would like to thank you for the suggested areas of study on page 14 and 15. They are all interesting and significant points to which we will certainly be



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giving our attention.

I am referring now to you item 3 on page 16 which has to do with profits and is really a summary of the points made earlier, I think, on page 6 with reference to profits. May I say that you seem to be more emphatic in this summary that profits have increased than you were in the descriptive paragraph on page 6. In fact, I see no statement on page 6 referring to the data which implies that profits have increased, but in your summary you make that statement. We will study the data anyway, thank you.

MR. SCHWARTZ: I think, Mr. Chairman, on sober reflection, we took a look at the description. We felt constrained not to minimize the importance of profit and probably put another sentence in to bolster the position. It was not overlooked entirely although it did not mean a great proportion of the total of market price.

THE CHAIRMAN: On page 18, under policy objections I read the sentence: "The history of farmer and consumer attempts to improve their bargaining strength in the market reveals only a small measure of success, except where they have been aided by Government intervention." I wonder, Mr. Nollelt, if you could give me Canadian illustrations of situations where you believe this statement applies.

HON. MR. NOLLELT: Well, I think we can take the Saskatchewan Wheat Pool probably as the



best illustration. At the time when the pool was first organized, the purpose and intended objective was to get a measure of control of collective selling in the hope that this wheat pool could bring to the farmer a better price, and that that would strengthen our bargaining position, but we found to our great disappointment that it was not possible to do that.

The farmers themselves did not have the resources nor the jurisdictional power to deal with matters of price that were far beyond their jurisdiction and control.

That was emphasized when the great depression occurred, and the drastic drop in farm prices.

Right along, parallel, I should say, to the organization of the wheat pool itself, there was a good deal of thinking along this line: "Well, we do not think that pool can achieve the result that we want, and it is better to have a fixed price" so that constantly parallel even to the organization of the pool was the idea that we ought to have a National Wheat Board, and pressure kept developing for a board.

It was brought to a head of course, the climax was when the Wheat Pool made the over-payment just before the 1930 depression, and then the subsequent problem of not only the reduced farm price, but the disposition of these great surpluses. The pool as such, at the co-operative, wasn't able to cope with this problem. Finally it evolved on the National Government to assume responsibility.



I think that is what is meant that the National Government intervention was necessary, and indicates that provincial marketing board sir, as you mentioned, will work quite well for specific products that are consumed entirely within the Province, but products that move across the boundaries, as you know, have been a problem to all of the co-operatives.

They always talk about some kind of an organization that could deal in the interprovincial and export market, and we rather feel being an export province that it must be a National board which takes this product from the Provincial producer, co-operative organization and get into the export markets of interprovincial trade.

We also feel that farmers do not organize just to market their product. They are doing this in order to improve their income position. Never yet has a co-operative been able to get in a position where they have set prices, and we feel that a national agency should do that, because we do not want to make it a one-sided pool. We would like to see a Government agency do that. That is jurisdiction for the administration of fiscal policy for the nation, to give protection to the consumer, protection to the farmer. If it were left to the farmer, and we were in a position to strengthen our bargaining position, get control of all commodities and say to the consumer Okay, we are not selling to you until we get this price, it is not only



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impractical, but it would not be the right approach. Therefore, we feel that in the interprovincial export trade, the provincial boards, producers marketing boards and co-operatives, have their limitations when it comes to the matter of actually determining farm income.

THE CHAIRMAN: I don't like to press the point. I think perhaps it may be another of these problems of semantics. I think I would be inclined to feel that the Wheat Board has not so much proved the bargaining strength of the wheat pool, as it has given, has performed certain functions which may have aided the farmers, but I am not sure that it has aided it through strengthening the bargaining position.

MR. SCHWARTZ: I think Mr. Chairman, there is the whole problem of the theoretical limitations of co-operatives. I think even under the best of conditions we cannot hope to have 100 per cent participation in the selection of the 100 per cent pool. I do not think you realize even when co-operatives were at their optimum strength, and co-operatives by definition are voluntary self-help organizations, and their case at point where they are voluntary self-help organizations cannot control the entire product which is to be marketed, and this particular control -- if this particular control is necessary to the achievement of stability price-wise or market-wise, then we have to move and have some sort of government intervention in the form of



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producer boards which are not co-operative in the sense that we would think of them today where they are self-help organizations on a voluntary basis. That is where we move on to theoretical limitation. Really, because the people who do not participate stand to benefit as much as those people who do participate and pay the costs under the more or less voluntary organization.

THE CHAIRMAN: I was going to ask, following up on this point on page 9, following the recommendation for livestock marketing board, and general support for marketing boards, you refer to co-operatives. In your view how do co-operatives, as voluntary organizations, fit into the marketing board situation?

HON. MR. NOLLETT: Well that is a bit of a difficult one to answer. Generally speaking, the co-operatives have developed to handle products. They have become handling organizations, and of course based on service and patronage dividends, and they have followed pretty much of a necessity traditional trade practises. The idea of them of course was they weren't all-inclusive. Now the advantages held forth for a producer marketing board are that scheme is put to a vote and carried, that this board will control all of the particular products through a board, but with the handling, actual handling that would still be carried on in the co-operative organization who have been organized to do that, and the other commercial firms, and the thought behind



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it seems to be to get more orderly marketing, and in the hope too that I think to use that term again which I don't like, to improve the bargaining position of the producer.

I don't know, I can frankly say I don't know where he has ever improved the bargaining position through this kind of organization, particularly in our own province where we are dependent on export outlets, and export markets to some place else. We have thought the producer marketing board can perform this useful function and get control of all the products, and utilizing the provincial channels established for processing that sort of physical handling, but with the relationship then between the producer provincial marketing board can be established with a national marketing board that would take this product into the interprovincial trade and export markets, and assist in the matter of pricing.

I don't like the word bargaining. I just don't like it because I don't think it is practical. I don't think farmers or producers can ever be so well organized to say we dominate the market. It is just not practical. The only place where that term can be applied, I think, with some practicability is between employer and employee, but I think farmers recognize that, and that is the thing about improving bargaining position, the farmers are now asking for strength and prices -- but have the assurance of the resources of the nation behind them.

For example, the Wheat Board while it does



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not actually set prices, it is doing an excellent job of marketing. We as farmers know this, that the whole resources of the nation are behind the Wheat Board, and it gives us a great feeling of income security to have a national agency doing our marketing for wheat. We have got confidence that because it is a national agency, that it will not let the prices drop to ruinous levels, and we know too that since we have established this board, that if it is necessary to make up any difference in the price, that this board pays the farmer, and if it should still show a loss in the export markets of the world, we are quite certain that the national government will make up that difference. That is why we feel secure with a national board that will take a commodity in the interprovincial and export field. We feel that the co-operative do a particularly good job in their particular field of provincial producers marketing boards, but we feel that so far as our problem is concerned, that export commodities that go through interprovincial export boards, we need a national board.

THE CHAIRMAN: The last page refers to information, and as you know our Terms of Reference refer specifically to the problem of adequacy of information. Quite clearly Mr. Nollett, one of the problems of adequate statistics is the sampling that has to be done. Now in the case of the Dominion Bureau of Statistics, what they are interested in primarily I presume is a sampling which will be



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as representative for the country as a whole as it is possible for them to devise with some eye to the cost of assembling this material.

Now we have had a number of representations, but these data are inadequate on a regional basis, and I am inclined to think that the statisticians in D.B.S. would probably wholly agree with this, and I know that in many cases they are reluctant to release their data on a regional or provincial basis because the total sample is devised as being adequate for the national purpose, but the sample is not adequate really for a provincial breakdown.

In view of this, I wonder whether at least in certain areas there might not be more participation by the province in the accumulation of this data?

Let me take as an illustration retail prices. So you can get the cost of living or the cost of food index for the City of Winnipeg or the City of Regina, obviously this can be best gathered at the source, and provided that the basis of gathering was the same in each city. The larger sample might be got locally on a more satisfactory basis. After all the D.B.S. have to use correspondents that write in. It is difficult to know or check how accurate this is. If it were done locally, perhaps it could be done more cheaply and more adequately in order to get at a local or regional period.

This does raise the question of how far perhaps the provinces might be able to participate a little more in the development of better statistics



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of this kind.

HON. MR. NOLLETT: I think that is an excellent point, sir. Our own relationship with the D.B.S. are through our own Statistics Division. I think we need to revise our thinking on gathering statistics right from the top down. It would be particularly necessary to do re-organization on the provincial level to get the kind of statistics we want. It is certainly well taken. Would you care to comment on that, Mr. Horner?

MR. HORNER: I would agree with that.

MR. SCHWARTS: We would like to see something in Canada that would be similar to this particular publication. It is a quarterly in the United States put out by the United States Department of Agriculture on the marketing and transportation situation. We don't have any data on what happens to the marketing margin by seasons. We only have the annual data. It is too rough. I would like to see more attention paid to the marketing margin throughout the entire year. Maybe a publication could be devoted to this particular aspect of it. That is more or less what we have in mind. I am sure the provinces could assist in this type of endeavour.

THE CHAIRMAN: Thank you. Those are the questions I have, Mr. Schwartz. I don't know whether my colleagues have any further questions.

COMMISSIONER WALTON: On page 4 you mention where you are indicating advertising and promotional



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costs as an addition to the cost to the consumer, you mention food stamp plans. Do you have those in Saskatchewan? I know it exists in some provinces. In other provinces at the provincial level they have been able to stop them. Is Saskatchewan in that category?

MR. SCHWARTZ: We don't have food stamps in this province right now.

COMMISSIONER DRUMMOND: I have just time for one question. One of the major points the Chairman has been discussing with you is this matter of bargaining power and the possible effect of bargaining power first, on marketing price, second on voluntary co-operatives. You mention on page 19, the Chairman has referred to this already at the bottom half of the page where you suggest co-operative organizations do or can assist in reducing the effects of price spreads in two ways, the second way being through competitive effect on commercial marketing agencies. The point I am asking now is, do you feel that voluntary co-operative organizations can to some extent at any rate improve the bargaining power instead of the prices by simply injecting a degree of competition which was not there before?

HON. MR. NOLLETT: Yes, I believe that. I believe they are not going to solve the problem. I think it takes a bigger authority than voluntary co-operative or purchaser marketing co-operation.

COMMISSIONER DRUMMOND: Perhaps the other



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thing that emerges following that, in your opinion the Marketing Boards can improve the bargaining power not only by trying to get what we sometimes call true supply and demand price, but a price which might be very considerably higher than that if you felt it was necessary to get it. Is that correct?

HON. MR. NOLLETT: No, when I think about marketing boards, I mean effective marketing boards that will have the power to set prices to producers in accord with their costs. I don't think of them at all in terms of bargaining. I think our whole economy is so complex we should not be thinking of bargaining. We should be thinking of planning, distribution, making a proper re-distribution of incomes to all segments of the economy. These are mentioned here. You don't jump from one thing to the other. These have been mentioned. I think Co-ops can perform and can function and the Provincial Marketing Boards. The final solution will rest with the agency that makes a proper redistribution of income and various commodities and services.

COMMISSIONER DRUMMOND: The reason I have asked this in some other provinces apparently the objective that people have in mind when they are advocating marketing boards is simply to get an agency which will improve the bargaining power.

HON. MR. NOLLETT: That is right. I did not make reference before, but some gentleman in British Columbia held to the theory of supply and demand that supply and demand should prevail. He



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referred to it as being the balance wheel of free enterprise. I would like to suggest that I can see there is no such thing as free enterprise any more. The so-called balance wheel has got its bearings burned out, and doesn't operate any more at all. Modern society, if it is going to achieve anything, I think a good suggestion would be social objectives. Things ought to operate with some desirable social end in view. That is why I suggest a Government board. I think governments as institutions have a social purpose for existence.

COMMISSIONER DRUMMOND: That makes a good clear distinction. Thank you very much.

THE CHAIRMAN: We usually conclude our morning hearings at 12.30. That clock shows we have one minute to go. We appreciate the additional submissions coming forward, two of which we have received on arrival last night, and the other one this morning. We have not been able to give these very close study as you will appreciate, but we would like to have them put on the record this afternoon and there may be a few questions that we will ask about them. I think, in the main, it will be just a presentation of the submissions. Thank you very much, Mr. Minister, for being here and making this presentation. We will recess until 2 o'clock.

--- The Commission adjourned at 12.30 p.m. to resume at 2 p.m.



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--- Upon resuming at 2 p.m.

SUBMISSION OF
DEPARTMENT OF AGRICULTURE
on Hogs & Eggs

Appearances:

W.H. Horner - Deputy Minister of Agriculture

THE CHAIRMAN: We will come to order and hear the next submission from the Government of the Province of Saskatchewan. The earlier brief was No. 23, we will call this one Exhibit 24.

Mr. Minister, I think Mr. Horner is going to present the brief on price spreads of hogs and eggs.

HON. MR. NOLLETT: Yes. Mr. Horner will present that one.

The language will not be quite so refined.

MR. HORNER: Thank you, Mr. Chairman, and Members of the Commission. We will try and keep the language within the bounds of respectability at least in this submission.

The Department of Agriculture appreciates the opportunity of making some comments to the Royal Commission with regard to price spreads and market operation in two specific products, namely hogs and eggs.

Mr. Chairman, we picked these two subjects, one in the case of hogs because of some problems we



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feel that persisted in the marketing of that product and secondly in the case of eggs partly because it is a fairly simple product and yet one that had a substantial price spread.

Saskatchewan's location in relation to the consuming centres of Eastern Canada and the rapidly increasing population centre on the West Coast, together with a substantial surplus produced in many food products, tends to make the Saskatchewan market the lowest in Canada.

Table I presents the average monthly price of Bl hogs on four Canadian markets for 1956 and 1957, together with monthly marketings.

The monthly marketing in that table is combined for Saskatchewan and Manitoba, and then the total for Canada.

The table shows that in 1956, prices at Saskatoon averaged \$4.85 less at Saskatoon than at Toronto. This means that in that year, farmers who marketed at Saskatoon received \$7.76 less per hog, that is on the basis of 160-lb. carcass, than the farmer who marketed at Toronto. The spread between these markets narrowed noticeably starting in April and May of 1957. By June of that year, there was a spread of only \$1.58 per cwt. It is difficult to explain the reasons for this type of fluctuation. Certainly the monthly marketings in Saskatchewan and Manitoba compared to total Canadian marketings do not seem to provide a reasonable explanation.

Of course, what we object to is the extremely



wide spread that persisted in 1956 and not the narrowing of the spread.

It is a general opinion that the consumer in Saskatchewan pays almost the same price for pork products as does the consumer in Toronto. However, it was not possible to secure, for example, an adequate retail price comparison between Regina and Toronto. Therefore, it can only be suggested as a supposition that prices at Regina were not substantially lower than at Toronto, even during periods of wide discrepancy in producer prices.

Table I shows that monthly average prices at Edmonton through 1956 and 1957 were above Saskatoon average prices. In 1956, the yearly average price in Edmonton was \$23.40 per hundredweight, which was the same as the Winnipeg market average, and in 1957, Edmonton yearly average was only 45 cents per hundredweight under Winnipeg. At the same time, Saskatchewan prices, as recorded from the Saskatoon market, were \$1 per hundredweight under Edmonton average prices in 1957, and were \$1.75 under Edmonton average prices in 1956.

In spite of this price relationship, Table II shows that in 1956, 20,337 live hogs, and in 1957, 13,801 live hogs, passed through Saskatchewan and Manitoba to be sold in Eastern markets, that is hogs originating in Alberta -- while the total number of live hogs from Saskatchewan and Manitoba to leave these provinces was 5,324, which were almost all sows. Further, a total of 57,746 Alberta hogs



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were marketed in Manitoba and 10,445 Alberta hogs were marketed in Saskatchewan in 1956. The figures for two months of 1958, as shown in Table II, are of the same order. This raises the question as to whether the market is operating freely, for it would seem that under the price relationship that existed, the movement should have been from Manitoba and Saskatchewan rather than Alberta, that is movement of live hogs east.

With regard to the fourth Term of Reference of your Commission, namely price information, there appears to be room for considerable improvement in the case of hogs.

In Regina, for about the last two years, that really should read the last several years, because I am not sure as to how long it has persisted, the price of hogs, as quoted in the daily newspaper, is so much per hundredweight plus \$1 per hog.

That is market quotations in Regina will read \$25.50 per hundredweight plus \$1 a hog. More recently, quotations from Moose Jaw and Prince Albert also quote "plus \$1 per hog".

I might say this "plus \$1 per hog" is not quoted at Saskatoon.

The Markets Information Service are to be commended for including such premiums in their quotations. However, on a free market, it seems that the quotation should be in terms of dollars and cents per hundredweight. Further, comments are heard regarding further premiums even of purchasers



bargaining as to special arrangements, such as paying the normal yard charges, even as to percentage premiums. That premiums are paid to truckers for hauling hogs to packers is practically common knowledge, though definite proof is not always easy to obtain.

In 1956, out of just over 5-1/2 million hogs slaughtered, only 840,000 were received on the public stockyards. In 1957, out of almost 5 million hogs slaughtered, only 730,000 were received on the 11 public stockyards in Canada. In Saskatchewan, 294,000 hogs were slaughtered in inspected plants, with only 19 per cent, or 55,600, going through public stockyards in 1957.

This makes it difficult to assess the hog market and tends to reduce confidence in the public market as serving to establish the real prices paid for hogs. It is actually most difficult, if not impossible, to provide accurate information on hog prices. Arising out of this situation is a widespread feeling among Saskatchewan producers that the small number of hogs that go to a public market puts the packer in a position to exercise some control over the public market. In addition, the transportation agent, the trucker, has, it appears, become an agent of the packer. That is the buying agent, we mean, Mr. Chairman.

In periods of surplus or on slow markets, we believe this tends to reduce prices paid to producers. It also appears that in periods of scarcity, packers tend to offer special inducements to truckers and to producers direct, and tend to avoid bidding more for hogs on the public market.

TABLE I

AVERAGE PRICE F1 HOGS - 1956

FROM PUBLISHED LIVESTOCK AND MEAT TRADE REPORTS,
MARKETING SERVICE, DEPARTMENT OF AGRICULTURE FOR CANADA

	Edmonton	Saskatoon	Winnipeg	Toronto	Manitoba	Monthly Marketings Sask. & Canada
January	\$19.00	\$18.00	\$19.52	\$22.47	112,180	493,000
February	20.19	18.00	20.04	22.51	81,322	449,128
March	19.85	18.50	20.18	22.60	99,671	590,117
April	20.08	18.07	19.73	22.18	86,532	494,319
May	20.94	18.95	20.52	23.32	82,116	458,211
June	24.73	22.25	23.65	26.47	101,391	523,161
July	24.99	23.07	24.91	27.65	67,180	375,160
August	24.86	22.63	24.70	26.89	57,861	352,178
September	27.33	23.68	26.23	28.04	59,960	449,958
October	27.64	25.50	27.43	29.50	68,621	414,594
November	27.21	25.62	27.11	29.72	94,209	451,356
December	27.06	25.98	27.75	30.47	114,650	497,107
1956	\$23.40	\$21.65	\$23.40	\$26.50		

AVERAGE PRICE F1 HOGS - 1957

January	\$27.09	\$26.43	\$28.12	\$30.64	87,802	403,488
February	29.70	28.59	30.63	32.45	77,876	424,936
March	26.84	26.07	28.06	29.19	85,764	507,565
April	26.18	25.63	27.24	28.50	64,078	392,221
May	27.30	26.55	28.14	29.05	65,530	381,898
June	30.70	30.02	31.76	31.60	77,157	431,484
July	32.27	31.03	32.75	35.12	53,061	317,777
August	33.40	31.94	33.56	34.59	48,323	301,630
September	31.08	31.05	32.04	32.30	69,026	456,560
October	25.68	24.00	25.71	27.11	71,848	393,530
November	22.93	21.80	23.29	25.99	98,711	443,530
December	23.98	23.11	24.64	27.83	123.845	516,858
1957	\$27.75	\$26.55	\$28.20	\$30.05		

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TABLE II

MOVEMENT OF LIVE HOGS TO ONTARIO AND QUEBEC
ORIGINATING IN ALBERTA, SASKATCHEWAN AND MANITOBA

* For monthly prices at Edmonton, Saskatoon, Winnipeg and
 Toronto, see Table I.

	No. of Live Hogs 1956	No. of Live Hogs 1957	No. of Live Hogs 1958 (Jan. & Feb)
Alberta	20,337	13,801	8,972
Saskatchewan	- 74	- 84	1,409
Manitoba	1,944	3,172	163
<u>TOTAL:</u>	<u>22,355</u>	<u>17,057</u>	<u>10,544</u>

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The egg is a somewhat simpler commodity with which to deal than meats because it does not change form between the producer and consumer. The objective of the trade is first to select out the good eggs, and secondly, to place these in front of the consumer in as nearly the same condition as when laid as possible.

Table I shows that in Saskatchewan, the period of heaviest marketings of eggs takes place in the period April-June, and during this time the volume of marketings may average from 3-4 times the rate for the period October-December. This Table also shows that in the winter months, November to February or March, 70 to 80 per cent of eggs produced in the province are Grade A. In the summer months of peak production, about 75 per cent of our eggs are below Grade "A".

Throughout 1957, the spread or margin at Regina in handling eggs was 11 cents to the wholesaler and about 5 to 8 cents to the retailer. Thus, when the producer was getting the support price of 30 cents per dozen, the consumer paid about 46 cents per dozen. This is shown in Table II.

A breakdown of their costs of handling eggs was provided to us by one of the larger egg handling plants in the province, and is shown in Table III. It will be noted that of the 10.83 cents per dozen cost indicated, costs which might be assumed to fluctuate fairly directly with volume, namely cases and supplies, wages and grade loss, add up to 8.52 cents, though some wages would be constant as presumably a minimum staff must be engaged. Other costs



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amounting to 2.31 cents per dozen would be constant, regardless of the volume.

The association with volume of costs is shown in Table IV - figures supplied to us by the same firm. These show that in the six months of heaviest volume, costs per dozen were much below those incurred during the six months of lightest volume.

In view of the marked economies resulting from size of operation, there may be a tendency to maintain too many competitive units and to maintain price spreads that permit smaller competitors to stay in business.

This situation may prevail in the case of eggs. There are 93 egg grading stations in the province. In 1957, they handled 411,718 cases. Only 8 handled 10,000 or more cases in the year. Thirty-five stations handled less than 2,000 cases. There may be some justification for small capacity stations operating, as they usually do, in conjunction with a creamery or dairy, at country points where they offer a quick service, not only to producers but also to retailers in the area.

However, the following examples may show some unnecessary duplication of plant and facilities which could result in higher than necessary margins:

North Battleford - 3 stations handling 1,800, 15,000 and 7,700 cases.

Melfort - 3 stations handling 5,700, 4,700 and 2,500 cases.

Saskatoon - 6 stations handling 10,560, 5,970, 4,300, 3,300, 8,750 and 16,350 cases.



Yorkton - 3 stations handling 11,900,
950 and 7,900 cases.

Melville - 3 stations handling 7,130,
7,170 and 15,300 cases.

Regina - 3 stations handling 9,850, 14,690
and 15,350 cases.

Moose Jaw - 4 stations handling 5,190,
6,460, 3,620 and 4,210 cases.

In the City of Saskatoon, six stations operated, buying a total of 36,086 cases. Seventy miles away at Humboldt, two stations bought 22,281 cases.

Moose Jaw has four grading stations which bought 16,991 cases in 1957, while at Regina, 40 miles away, 3 stations handled 40,572 cases. Stations at Wolseley, Grenfell, Broadview and Whitewood on the main line of the C.P.R. and No. 1 Highway, 46 miles apart in total, bought a total of only 5,770 cases.

During the war years, Saskatchewan had almost 200 egg grading stations, but over half of these have been closed since.

Many of the small plants must be inefficient due to their small size and low volume. A system of refrigerated assembly points, with shipments every second or third day to a central grading point, would probably permit more accurate grading and handling at lower cost.

It would appear that if economies can result from volume handlings plus differences in efficiency that would be expected between operators, that actual costs should vary between stations with such a wide range of volume, as evidence at some of



the points listed. Although it would seem that the larger volume stations, if handled efficiently, should be able to reduce spreads by offering either more money to the producer or lower prices to the retailer, this does not seem to happen. In fact, the price spread or margin, tends to become fixed with all stations charging the same margin at all seasons.

A further inefficiency which we believe exists in the egg handling business is in the matter of the large number of low-quality eggs handled. Not all, but many of these eggs come from country assembly points, usually grocery stores. They assemble eggs in small lots and forward them to grading stations. In 1956, 24.4 per cent of all eggs bought by egg grading stations were from these first receivers and 67.5 per cent were undergraduates. In 1957, 18.1 per cent of eggs purchased came from first receivers and 73 per cent were undergraduates.

In Saskatchewan, where, at certain seasons of the year, such a large percentage of eggs are undergraduates, the necessity of passing all these eggs through the hands of the candler must add to the marketing margin. If some fair way could be found of classifying these eggs, other than by individual selection by candling, some economies might be effected.

TABLE IPRODUCER EGG PRICES REGINA 1957 WITH SPREADS & VOLUME INDICATED

DATE	GRADE A LARGE	TOTAL GRADE A	GRADE B		SPREAD	GRADE C	% SPREAD	VOLUME
			GRADE A LARGE	%				
Jan.								
8	30	76.7	20	17.6	10	14	5.7	16 193,080
15	30	72.9	20	21.0	10	14	6.1	16 263,220
22	29-30	73.1	20	21.2	9-10	14	5.7	15-16 266,820
29	29-30	71.3	20	22.6	9-10	14	6.1	15-16 247,140
Feb.								
5	30	72.9	20	21.5	10	14	5.6	16 245,670
12	30	69.6	20	24.2	10	14	6.2	16 250,650
19	30	70.1	20	24.0	10	14	5.9	16 236,460
26	30	69.7	20	24.1	10	14	6.2	16 213,570
Mar.								
5	30	70.2	20	24.2	10	14	5.6	16 244,050
12	30	67.8	20	26.2	10	14	6.0	16 254,820
19	30	66.2	20	27.7	10	14	6.1	16 269,220
26	30	64.4	20	29.0	10	14	6.6	16 310,650
April								
2	30	61.3	20	31.8	10	14	6.9	16 355,080
9	30	55.2	20	37.6	10	14	7.2	16 403,920
16	30	51.0	20	41.9	10	14	7.1	16 435,180
23	30	45.2	20	47.1	10	14	7.7	16 376,020
30	30	42.8	22	49.0	8	14	8.2	16 373,770
May								
7	30	38.0	22	53.5	8	14	8.5	16 437,850
14	30	31.3	22	59.3	8	14	9.4	16 482,010
21	30	28.1	22	60.6	8	14	11.3	16 459,570
28	30	27.1	22	60.9	8	14	12.0	16 414,720
June								
4	30	24.3	22	63.1	8	14	12.6	16 432,870
11	30	24.0	22	63.2	8	14	12.8	16 390,270
18	30	24.7	22	61.8	8	14	13.5	16 362,430
25	32	24.6	22	62.6	10	14	12.8	18 317,700
July								
2	32	23.9	22	62.3	10	14	13.8	18 294,030
9	38	24.3	22	61.7	16	14	14.0	24 235,020
16	41	23.8	22	61.9	19	14	14.3	27 241,590
23	42	24.7	22	60.3	20	14	15.0	28 219,150
30	44	27.7	22	57.6	22	14	14.7	30 204,720
Aug.								
6	44	27.4	22	56.8	22	14	15.8	30 177,270
13	44	28.6	22	55.7	22	14	15.7	30 165,960
20	44	31.7	22	54.1	22	14	14.2	30 141,510
27	42	33.4	22	52.3	20	14	14.3	28 139,110
Sept.								
3	42	37.6	22	48.4	20	14	14.0	28 130,320
10	42	41.2	22	45.1	20	14	13.7	28 111,930
17	42	44.4	22	41.5	20	14	14.1	28 116,070
24	44	50.0	22	35.4	22	12-14	14.6	30-32 114,960

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TABLE 1, Contd.

				<u>SPREAD</u>	<u>GRADE C</u>	<u>%</u>	<u>SPREAD</u>	<u>VOLUME</u>
Oct.								
1	44	53.5	22	31.5	22	15.0	30-32	108,750
8	40-42	53.6	22	30.4	18-20	16.0	28-30	109,830
15	40	57.7	22	26.2	18	16.1	26-28	126,900
22	40	63.2	22	22.0	18	14.8	26-28	102,990
29	40	67.7	22	19.8	18	12.5	26-28	113,130
Nov.								
5	34	72.7	22	16.1	12	11.2	20-22	111,930
12	34	76.4	22	13.9	12	9.7	20-22	115,440
19	34	78.4	22	13.1	12	8.5	20-22	109,560
26	34	80.7	22	11.7	12	7.6	20-22	129,750
Dec.								
3	32	80.3	22	12.7	10	7.0	18-20	147,660
10	30	80.3	22	12.9	8	6.8	16-18	149,400
17	30	80.0	22	13.4	8	6.6	16-18	179,910
23	30	78.5	22	14.4	8	7.1	16-18	194,790
30	28	79.9	22	14.4	6	5.7	14-16	165,060

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TABLE II

EGG PRICES TO PRODUCER, RETAILER AND CONSUMER IN REGINA FOR 1957					
DATE	PRICE PRODUCER	PRICE RETAILER	SPREAD	PRICE TO CONSUMER	SPREAD
Jan. 8	30	41	11¢	45-48	4-7¢
15	30	41	11	45-48	4-7
22	20-30	40-41	11	45-48	5-8
29	29-30	40-41	11	45-48	5-8
Feb. 5	30	41	11	45-48	4-7
12	30	41	11	45-48	4-7
19	30	41	11	45-48	4-7
Mar. 5	30	41	11	45-48	4-7
12	30	41	11	45-48	4-7
19	30	41	11	46-48	5-7
26	30	41	11	45-48	4-7
April 2	30	41	11	45-48	4-7
9	30	41	11	45-48	4-7
16	30	41	11	46-48	5-7
23	30	41	11	46-48	5-7
30	30	41	11	46-48	5-7
May 7	30	41	11	46-48	5-7
14	30	41	11	46-48	5-7
21	30	41	11	46-48	5-7
28	30	41	11	46-48	5-7
June 4	30	41	11	46-48	5-7
11	30	41	11	46-48	5-7
18	30	41	11	46-48	5-7
25	32	43	11	48-49	5-6
July 2	32	43	11	48-49	5-6
9	38	49	11	49-50	0-1
16	41	52	11	50-56	0-4
23	42	53	11	59-60	6-7
30	44	55	11	59-60	4-5
Aug. 6	44	55	11	57-61	2-6
13	44	55	11	57-61	2-6
20	44	55	11	57-61	2-6
27	42	53	11	58-61	5-8
Sept. 3	42	53	11	61	8
10	42	53	11	58-61	5-8
17	42	53	11	58-60	5-7
24	44	55	11	58-60	3-5
Oct. 1	44	55	11	58-60	3-5
8	40-42	51-53	11	58-60	7-9
15	40	53-55	13-15	57-60	4-7
22	40	51-53	11-13	57-59	6-8
29	40	51-53	11-13	55-60	4-9
Nov. 5	34	51-52	17-18	56-57	5-6
12	34	45	11	53	8
19	34	45-46	11-12	50-54	5-9
26	34	45-46	11-12	51-53	6-8
Dec. 3	32	43	11	51-53	8-10
10	30	43-44	13-14	51-53	8-10
17	30	42-43	12-13	49-51	7-9
23	30	42-43	12-13	49-51	7-9
30	28	39-40	11-12	49-51	10-12

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TABLE IIITYPICAL HANDLING COSTS FOR A LARGE EGG GRADING PLANT IN SASKATCHEWANCOSTS ARE PER DOZEN AVERAGED FOR THE YEAR 1956

Cases & Supplies	\$ 4.10
Candling)	
Wages - Office)	3.80
Sundry)	
Power, Water, Heat	.20
Laundry	.06
Postage	.14
Repairs (Bldg.& Equipment)	.03
Travel	.10
Insurance & Taxes	.10
Cartage	.20
Depreciation	.40
Interest	.60
Head Office Supervision	.10
Office Supplies & Advertising	.10
Sales Expense	.28
Grade Loss	.62
	<hr/>
	<u>\$10.83</u>

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TABLE IV

MONTHLY UNIT COST - 1956

FOR A LARGE SASKATCHEWAN EGG GRADING STATION

(Note influence of volume on cost)

	<u>Cost per dozen</u>	<u>% year's volume by months</u>
January	11.38	7.77
February	11.13	7.24
March	10.54	7.41
April	7.71	13.96
May	8.01	16.39
June	8.92	13.40
July	11.04	8.39
August	12.11	6.32
September	13.86	4.28
October	11.09	4.73
November	12.99	4.20
December	12.55	5.84



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Mr. Horner

That is the end, Mr. Chairman.

THE CHAIRMAN: The brief of the Department of Agriculture for the province of Saskatchewan will be marked as Exhibit 24.

EXHIBIT NO. 24: Brief of the Department of Agriculture for the Province of Saskatchewan.

THE CHAIRMAN: Thank you, Mr. Horner. I am sure you understand this is not a complaint, but we have not had too much time to study these. However, I am going to ask Dr. Drummond if he has any questions.

COMMISSIONER DRUMMOND: Well I have a very few questions. Most of this material is so clearly explained that there is any question if there are any questions in regard to clarification.

On page 2 in connection with hog marketing, in the centre of the page you state that on a free market it seems that the quotation should be in terms of dollars and cents per hundredweight. I take it there that you mean that instead of saying plus \$1 per hog, it is \$1 per hundredweight?

MR. HORNER: Yes, Dr. Drummond. The \$1 per hundredweight actually works out to, on the basis of 150-pound carcass, around 60 cents a hundredweight, or something of that sort. What we do not understand is why if there is completely free bidding, and so on, on this market, if somebody wants hogs particularly one day, why he would not say 25.60 cents per hundredweight instead of 25.60



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Mr. Horner

per hundredweight instead of \$25.60 plus a dollar a hog, or whatever the difference is.

COMMISSIONER DRUMMOND: At the bottom of the same page you say that there is wide spread feeling in Saskatchewan that the small number of hogs that go to a public market put the packer in a position to exercise some control over the public market. Just precisely what is meant by that?

MR. HORNER: Yes, I think Dr. Drummond, that wording is perhaps not so good. What we are trying to say is that the number of hogs that go on the public market do not mean very much to the packer. They are not very important in his eyes, and that it is more important, probably, for him to get out in the country and be bidding on the different basis there than it is on the public market.

I don't mean exercise control even in the sense of the word.

COMMISSIONER DRUMMOND: For our information, could you indicate very briefly just what the processing set-up is in the province? How many plants there are, and where they are located?

MR. HORNER: The major plants are Burns and Company at Prince Albert; Intercontinental at Saskatoon; Burns and Company at Regina, and a small Intercontinental at Regina, and Canada Packers at Moose Jaw.

THE CHAIRMAN: In respect to the egg situation, it would appear from the second paragraph on page 6 that you have a very pronounced seasonal



variation in egg production?

MR. HORNER: Yes.

COMMISSIONER DRUMMOND: Is that due to the size of the egg-producing enterprise on the average farm, or is it due to some other factor?

MR. PAYNE: I think sir, that is a fair assumption, that the selling of the production is due to the small farm unit that are employed on the premises for the owner's use. Even in the Spring, and even when the crows are laying, these birds go into higher production and thereby floods the market through that Spring period.

COMMISSIONER DRUMMOND: You mention that at certain seasons, in the Winter months, most of the eggs marketed are of much higher quality than other times. Would it be fair to say that most of those higher quality eggs marketed at the time of the year, the Winter months, are from the larger, more specialized producers?

MR. PAYNE: Partly. Another factor there of course, is due to the climatic condition. The eggs that are produced at that time are gathered and they are cooled more rapidly and thereby the quality is maintained. It is during the hot summer months that the eggs tend to lose their quality very rapidly.

Our specialized producers in this province are few and far between, and even though the eggs produced in the winter are of higher quality, they are produced by relatively small flocks.



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Mr. Horner

COMMISSIONER DRUMMOND: There is no appreciable trend in that direction of more of the larger producers in the province?

MR. PAYNE: Yes there is, but we speak of a larger producer here differently than what you do in the East. A larger producer in Saskatchewan today has a flock of 3,000 birds, and we have quite a few of those.

COMMISSIONER DRUMMOND: Further down on the same page, page 6 you relate the size of the margin to the volume of operations, and suggest, I think quite rightly, that you would expect some reduction in the cost as volume increased, and then on the next page you give details in respect to the volume. I think you suggest later on that as far as you could see there is no appreciable variation in the actual cost of operating these stations?

MR. HORNER: I think what I was trying to say Dr. Drummond there was that we think there must be an appreciable difference in cost, but they are not reflected in any change in the market.

COMMISSIONER DRUMMOND: Exactly, yes. In other words, at the bottom of page 7 you say the price spread or margin tends to become fixed.

MR. HORNER: That is right.

COMMISSIONER DRUMMOND: All stations charging the same. By the way, you say that during the war you had as many as 200 egg grading stations, and that has been cut in half. How has that half been eliminated? As a result of competition?



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Mr. Horner

MR. PAYNE: No, mainly because of a volume proposition. During the war when the price was stabilized due to our war exports, there was a tremendous demand for eggs, and the producers in the small areas were producing eggs, and the packers were going out to get them, and went out to get them by establishing what we call the pee-wee stations. These little stations popped up all over the country as the demand for these eggs increased. When the demand fell off after the war, these stations were gradually closed up, and we are still in the process of closing up some of the smaller volume country stations.

COMMISSIONER DRUMMOND: I suggest what seems to be a very interesting suggestion there on that same page 7, where you say:

"A system of refrigerated assembly points, with shipments every second or third day to a central grading point, would probably permit more accurate grading and handling at lower cost."

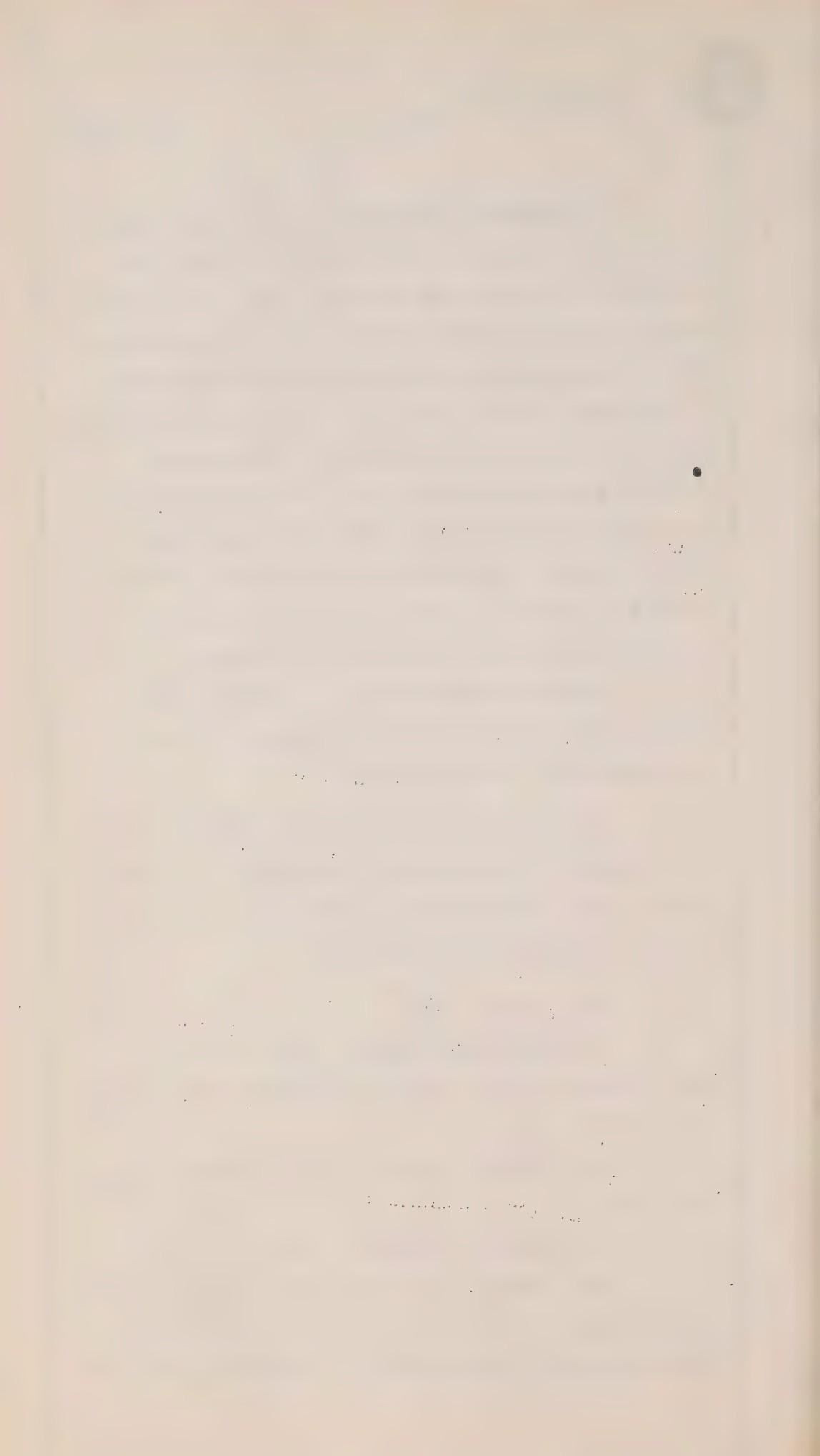
MR. HORNER: Yes.

COMMISSIONER DRUMMOND: How would you expect such a system could be brought into operation, if at all?

MR. HORNER: Do you mean to actually put it into effect?

COMMISSIONER DRUMMOND: Yes.

MR. HORNER: One thing that one would think might direct it that way would be just easier competition between organization. I suppose it could be





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Mr. Horner

done by regulation, or subscription, or requirement. Personally I think the first would probably be the way it would be done eventually.

COMMISSIONER DRUMMOND: I notice by today's local press you are contemplating a plebiscite with regard to an Egg Marketing Board.

MR. HORNER: I should have added that would be one way it could be done, yes.

COMMISSIONER DRUMMOND: I presume your final paragraph, page 8, where you say:

"If some fair way could be found of classifying these eggs, other than by individual collection by candling, some economies might be effected."

That would be some technological development we have not had so far.

MR. HORNER: I think perhaps, sir, the Egg Marketing Board would probably be able to do something of this without a technological process exactly. We say just ahead there with regard to these aids that come from the country grocery store where they are assembled a dozen or two dozen at a time that in 1956, 67.5 per cent were under grade, and in 1957, 73 per cent were under grade. Perhaps you could make some classification as to source or something of that sort.

COMMISSIONER DRUMMOND: I think those are



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Mr. Horner

all of the questions I have to ask. Perhaps I should finally ask this: Did you have any other thoughts in mind with respect to things a Board might be able to do in connection with the eggs?

MR. HORNER: Those were two of the things. Those could be done by Government regulation as well as by an Egg Marketing Board. Other things that a Marketing Board might do would be -- I could mention we have had on occasion problems in Saskatchewan in having the support price reflected to the producer. We have had occasions crop up, I think it is fair to say they have been rare, where the processor did not pay as much as it was considered he should pay when the support price was at level. I think that is the sort of thing a Marketing Board could do. I don't know the marketing of eggs well enough to say. Perhaps there are areas in disposing of these low grade eggs which is a problem in our province and particularly concerted action by one agency might be more effective.

THE CHAIRMAN: What are these under grade eggs used for?

MR. PAYNE: Under grade eggs are used mainly for the making of melange or egg powder. Melange is a product where the egg is whipped and frozen in containers, and this product is used in the bakery trade, the chocolate trade, cake mixes and so on. The powdered product is in cake mixes.



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Mr. Horner

That is where the bulk of the under grade egg is, in the allied industries.

THE CHAIRMAN: Where is that processing done?

MR. PAYNE: That processing is done in plants here in Saskatchewan, with regard to the local eggs. There are several plants in Saskatchewan that do processing.

THE CHAIRMAN: What I was concerned about was your reference to a central grading plant. It looks to me as if you need some grading back on the farm if you are going to be transporting under grade eggs all over the province to central grading stations.

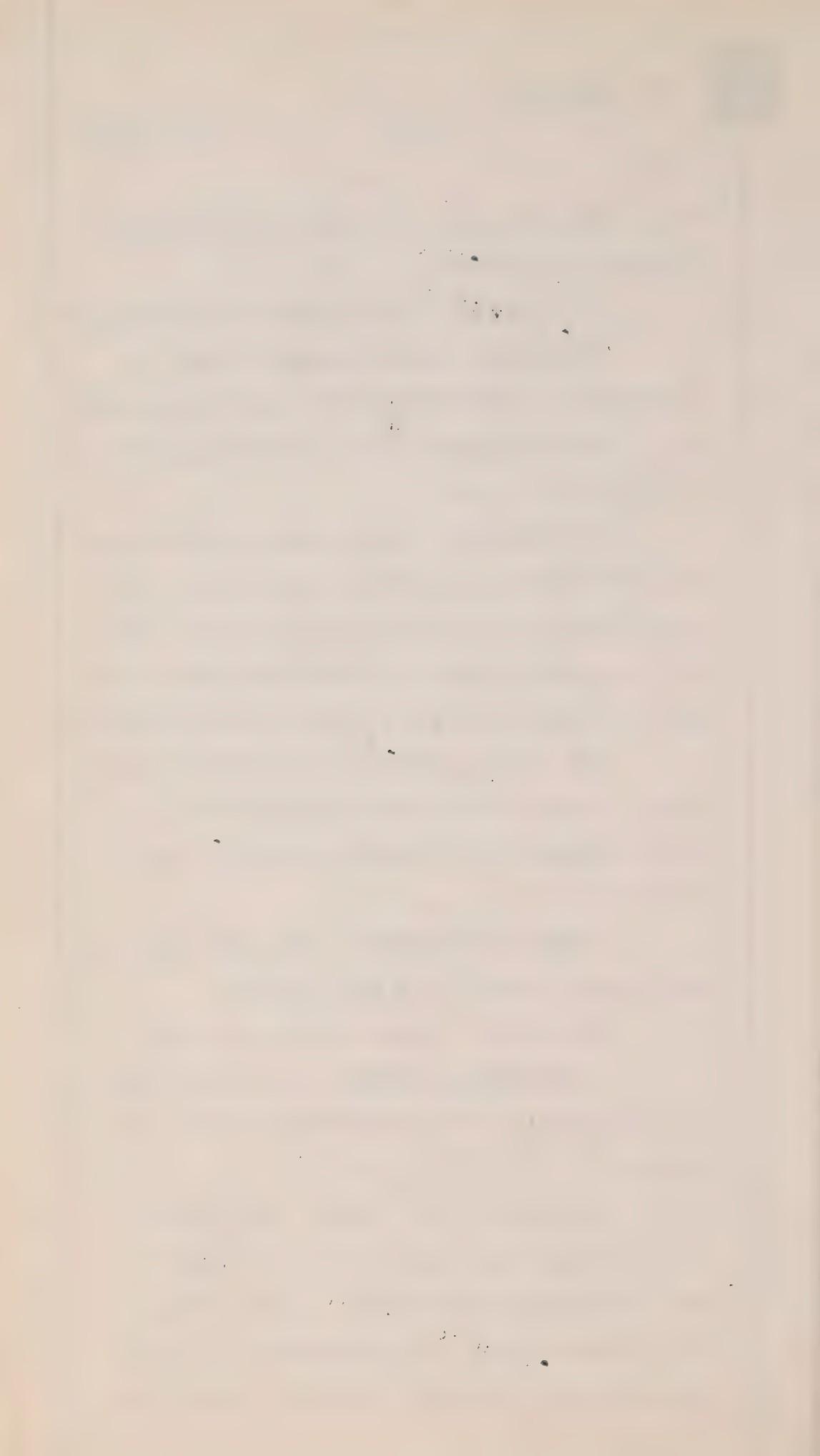
MR. HORNER: When we said a central grading point, I think that was used relatively in that we would contemplate several central grading points in the province.

COMMISSIONER DRUMMOND: What percentage of your eggs are exported from the province?

MR. PAYNE: Roughly about 25 per cent.

COMMISSIONER DRUMMOND: The Federal Government has stored quite a few Saskatchewan eggs, have they not?

MR. PAYNE: Yes, they do. As a matter of fact, practically every year they store some. They are stored in Saskatchewan, but the unhappy part of the situation is, Saskatchewan is the last egg cleared into the retail channels. The eggs are





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Mr. Horner

left in Saskatchewan. They are the last and on several occasions the Federal Government have had to take the last of the eggs and break them into this melange I mentioned earlier.

THE CHAIRMAN: We will have the Board study this document more carefully, Mr. Horner, thank you very much.

(Page 1249 follows)



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THE MILK CONTROL BOARD

Appearances:

Chairman	-	Mr. J.E. Ridley
Inspector, Milk Control Board	-	Mr. C.L. Baker

THE CHAIRMAN: There is another presentation on behalf of the province on behalf of the Milk Control Board. It will be put in by Mr. Ridley. We will make this Exhibit No. 25.

EXHIBIT NO. 25: Brief submitted on behalf of the Milk Control Board.

MR. RIDLEY: Mr. Chairman, first of all I would like to say the Honourable Mr. Nollett, my boss, asked me if I would like him to sit beside me and hold my hand, and with that passing remark he said "You are an independent board" and he sat down.

Before making the presentation I would like to introduce Mr. C.L. Baker, along with two other investigators, auditors who check into the receipts and payments and so forth at the various plants in the controlled areas. If there are any questions I cannot answer I hope he can. If there are further questions neither of us can answer, I hope some economist from the Department will do so.

Introduction: The Milk Control Board of Saskatchewan is pleased to present a submission



supplementary to that submitted by the Government of Saskatchewan on Price Spreads of Food Products.

It may be of interest to the Commission to know where, when and why milk control was established in Saskatchewan. In 1934, following the Report of the Royal Milk Inquiry Commission in 1933, milk control was inaugurated under the administration of the Local Government Board. In 1935, the Milk Control Board was set up as a separate body for the purpose of administering the Milk Control Act.

The necessity for such a control has been clearly outlined by Mr. B.A. Cooke, who was Milk Administrator with the Local Government Board and later Chairman of the Milk Control Board, in an article written for the publication "Scientific Agriculture," which reads in part as follows:

"... producers forced to let equipment and premises deteriorate; health officers forced by conditions to relax vigilance; producers being forced to reduce production to that which they could supply without any extra effort or cost; the price-cutting among distributors being taken from producers' prices and gradually threatening to force them out of business."

Mr. Cooke further declared that:

"Steps had to be taken, and taken promptly at that time, to safeguard a milk supply and



"preserve the business from the results of its own actions."

The Milk Control Act as it is administered today empowers the Milk Control Board to establish schedules of prices at which milk shall be supplied by the respective classes -- producers, distributors and storekeepers, having regard primarily to the interests of the public, including consumers and those engaged in the production or distribution of milk, and to the continuity and quality of supply.

The areas at present under control are Moose Jaw, Regina, Prince Albert, Yorkton, Saskatoon, Swift Current, the Battlefords, Humboldt and Melville.

This brief will deal with the present day function of the Milk Control Board as it affects the public, which includes producers, distributors and consumers of milk.

I might say, Mr. Chairman, in reference to the Commission, that was a Commission under Dr. William Allan. I believe they sat mostly in Saskatchewan, but also held meetings in Calgary, Edmonton and Winnipeg.

The Pricing of Milk: Advantages to be derived from the exercise of control of the price of food products are well illustrated when one takes milk pricing as an example. In Saskatchewan it has been the practice to establish and regulate



producer prices, the margin allowed the distributor, and the consumer prices for milk.

In the establishment of price schedules, the Board must consider the necessity of establishing producer prices that will insofar as possible guarantee an adequate supply of food quality milk to satisfy the requirements of the particular area under control. This objective has not been attained in some areas. One area in particular has continued to lag behind both in respect to quality and supply. However, indications are that even in that area the volume will, in the not too distant future, fulfil requirements. In areas where there is a milk shortage, spray milk powder from Ontario is reconstituted. This is a practice which the Milk Control Board frowns upon but tolerates because of necessity. In the specific area referred to above, it is calculated that in 1957 producers lost a potential additional revenue of \$130,808.94 by not producing a sufficient supply of milk to meet requirements.

In other areas there has been a continual over-requirement supply of fluid milk. In these areas the producers receive a lower average price per hundred pounds because the milk that is sued for products other than fluid milk is purchased at lower prices. Surplus milk finds its way into the manufacture of ice cream, cottage cheese, cheddar cheese and butter. One plant is now utilizing surplus



skim milk in the manufacture of condensed skim milk for sale to bakeries, ice cream plants, and possibly to milk plants for reconstitution.

The present pattern of producer prices was established some years ago. It varies from area to area and is determined to some extent by availability of supply and transportation costs. A Cost of Production Survey was carried on for a period of three years, the result of which also assisted in the determination of producer prices.

To assist in the determination of fair producer prices, the Board is now being guided by a Milk Pricing Formula. Milk producer groups have expressed confidence in the formula and have agreed to accept its use as a guide for price movements upwards or downwards.

I might say we have not discussed this with all producer groups, but some of them with whom we have discussed it, have shown acceptance to it.

They are in accord with the requirement that the formula indicate a 19-cent-per-hundred-pound variation upwards or downwards before any producer price adjustment is made. Nineteen cents in producer prices is equivalent to approximately one-half a cent per quart in consumer prices.

And then we have the formula that is being used and I should like to impress upon you it has been used as a guide only. We have not instituted

— 1 —



price changes by the formula only. In fact since I have become Chairman we have only changed the price once in all areas and that was about a year ago, but we did use the formula to support our decisions at that time.

You will notice from the formula at the bottom of the page actually it has been dropped in the last three or four months. The last time I had anticipated, according to the three months' average, they would keep on going until it got well above the 19 cents, and we would have had no alternative but to do something about increasing the producer's price, but it took a turn backwards, at least, temporarily.

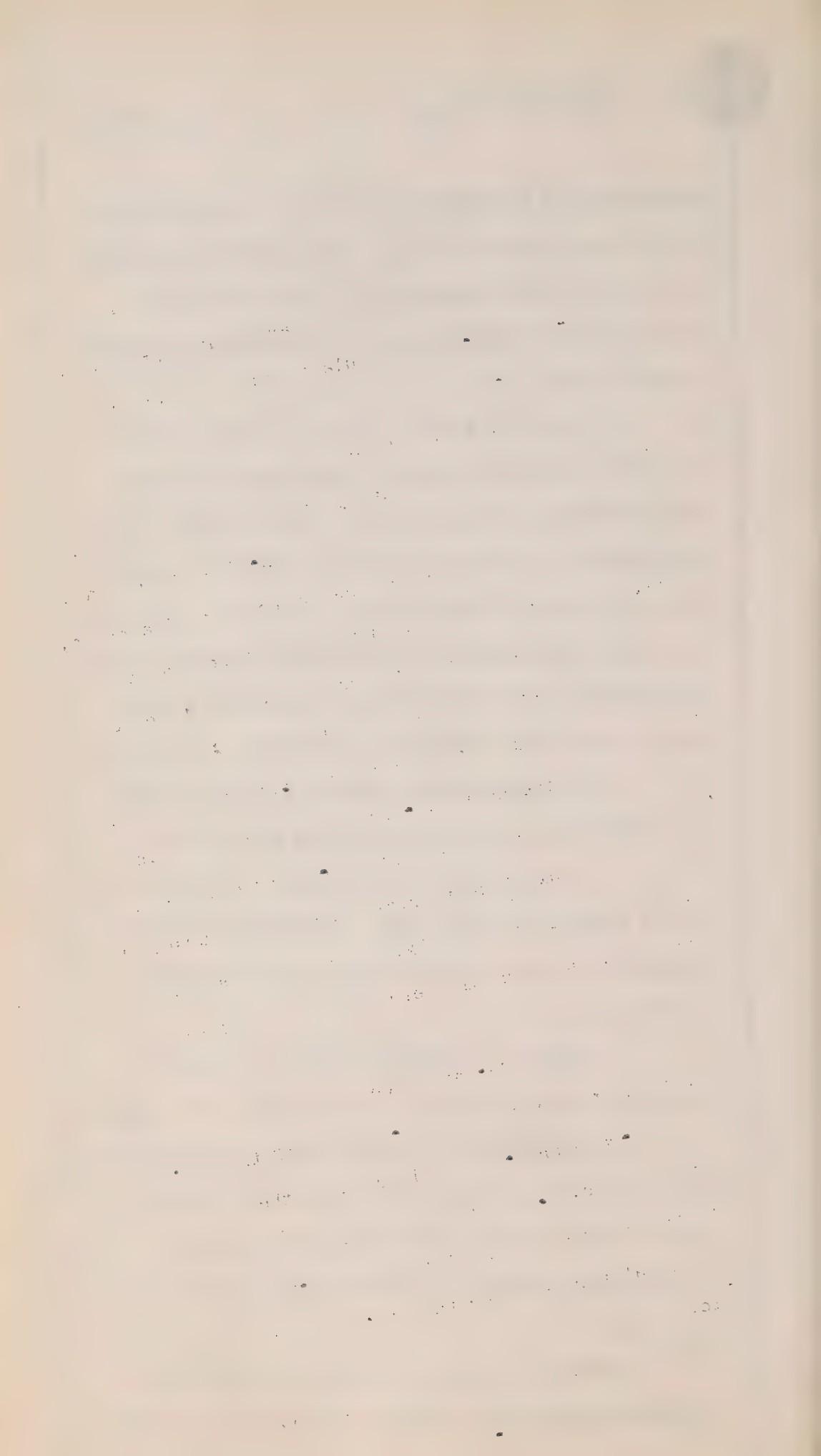
On the next page we have a table showing the whole milk price for controlled areas in 1957.

I would like to state there, of course, that is the whole milk price only. I think it is self-explanatory, but I should refer to a few figures, I believe.

Looking at Saskatoon we have a price of \$4.61 with an explanation at the bottom of the page.

Average price for milk sold in the city and to country points, based on 26 per cent of total sales to the country. Milk for country sale is purchased at a price lower than that for milk for city sale.

That is the only controlled area where that exists, where they have a lower price for milk



that is sold to country points. The purchasers' organizations asked for it to continue.

There had been a much wider spread a year ago before, and we agreed to maintain it at that level.

The average price works out at \$4.61. It is actually 25 cents a hundred less for milk sold in the country.

GUIDE TO FLUID MILK PRICE BY FORMULA

Regina Area -- December, 1957

	<u>Index</u>	<u>% of Base</u>	<u>Weight</u>	<u>Determination Record</u>
Wholesale Price	225.9	102.1 x	12.5	12.76
Consumer Price	120.1	105.6 x	12.5	13.20
Average Weekly Wages	62.31	122.8 x	25.0	30.70
Commodities & Services Used by Farmers in Western Canada	240.5	106.6 x	25.0	26.65
Oats	57.62	85.6 x	15	12.84
Farm Wages	110.70	112.2 x	10	<u>11.22</u>
COMPOSITE INDEX (1952-'3-'4, 100)			107.37
BASE PRICE			<u>\$ 4.50</u>
PRESENT AVERAGE PRICE			<u>\$ 4.70</u>
FORMULA PRICE (<u>107.37 x 4.50</u>)	<u>100</u>			<u>\$ 4.83</u>

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FORMULA PRICE GUIDE FOR YEAR 1957

	<u>Formula Price</u>	<u>3-Month Average</u>
January	\$4.73	
February	\$4.72	
March	\$4.72	
April	\$4.71	\$4.72
May	\$4.80	\$4.74
June	\$4.84	\$4.78
July	\$4.89	\$4.84
August	\$4.89	\$4.87
September	\$4.86	\$4.88
October	\$4.86	\$4.87
November	\$4.85	\$4.86
December	\$4.83	\$4.85

Then going down to Humboldt, you will notice that we have a low average price per hundred pounds \$4.30, and wonder why it could be so low at one point, and so high at others. Humboldt is a small market, and accept only milk which they use for food sales. They do not take any surplus at all, and so are able to buy at that price, and it averages out fairly well with milk in some of the larger centres.

Then in Swift Current we have the reference, one price is \$4.64. There again there is only one plant and are able to sell the milk at 19 cents a quart. That is possible because there is only one plant. There is no competition, and also because they have a particularly large volume of milk sold to country points.

THE CHAIRMAN: May I ask with reference to the table, column 2, to consumer the price at Regina is 20.58 cents. Is that correct?

100
600

100 200 300 400 500 600 700 800 900



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Mr. Ridley

MR. RIDLEY: That is correct, because they have a differential as it were in Summer and Winter prices. During the Winter, the seven months, the price is 21 cents, and during the five months of summer, as we call it, it is 20 cents, averaged out 20.58 cents.

(Page 1258 follows)

WHOLE MILK PRICES FOR CONTROLLED AREAS, 1957

<u>Area</u>	TO PRODUCER		TO CONSUMER		TO DISTRIBUTOR		FARM SHARE AS PERCENTAGE OF RETAIL PRICE
	Number Plants	F.O.B. The Plant Per 100 Pounds	Testing 3.5% B'Fat	Delivered Retail Per Quart	Gross Profit Per Quart		
Moose Jaw	3	4.70	12.11	21.00	3.39	57.66	
Prince Albert	2	4.70	12.11	21.00	8.89	57.66	
Saskatoon	4	4.61*	11.88	21.00	9.12	56.57	
Regina	4	4.70	12.11	20.58	3.47	58.84	
Yorkton	2	4.50	11.59	20.00	8.41	57.95	
Melville	2	4.50	11.59	20.00	8.41	57.95	
The Battlefords	2	4.50	11.59	20.00	8.41	57.95	
Humboldt	1	4.30	11.08	19.00	7.92	58.31	
Swift Current	1	4.64	11.95	19.00	7.05	62.89	

The above calculations are based on the price per 100 lbs. paid to producers for fluid milk requirements and on the consumer delivered price per quart only.

* Average price for milk sold in the city and to country points, based on 26 per cent of total sales to the country. Milk for country sales is purchased at a price lower than that for milk for city sales.

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The pricing of milk is much more involved than is indicated by the foregoing table. The required gross profit may vary because of one or more specific situations existing within an area or in an individual plant. Monopolistic control of an area is one factor that may determine the required gross profit. Others are: Size of operation, whether or not extras such as aluminum foil caps and paper cartons have been added to the cost of processing, and trucks vs. horse-drawn vehicles. Finally, there is the much debated factor of 6-day delivery vs. 5-day delivery.

The producer does not always receive the price shown in the table for all his milk shipments. In all markets there are lower prices for milk used in products other than whole milk for the fluid trade. The resultant average price which the producer receives depends on the volume of supply and the percentages of his milk going into the different categories.

Similarly, the distributor does not receive the delivered-retail price for all his processed milk. His resultant average selling price depends on the quantity of milk sold to country points, the quantities sold in pints, half-pints and gallons, the quantity of milk in wholesale sales, the volume of cream sales, and the quantity used in products other than milk and cream.



Consumer prices, both retail and wholesale, are established for within the confines of the controlled areas only. The producer prices, however, are determined by the board for all milk utilized in fluid sales regardless of where it is sold.

The difference between the purchase and selling price, including what is sold in the country, is the gross operating profit, or what is commonly termed the "distributor's spread." As a guide to the establishment of reasonable gross operating profit for the distributor, The Milk Control Board has required distributors to submit to the Board detailed statements of operation. Any increase in the current distributor's spread must be justified by such data.

Statements of operation for 1957, as received from distributors in all the controlled areas, indicated that the per unit expenses for the year on all fluid milk and cream products ranged from 6.38 to almost 10 cents. Correspondingly, the profit and loss per unit ranged from a loss of a fraction of a cent for each of four distributors to a profit of almost a cent for all the other distributors in the controlled areas.

I should explain that last point. All the other distributors are not making almost a cent, actually they range from .01 cent per unit up to almost 10 cents. There seems to be quite a variation



in the profit and loss column in breakdown.

In a breakdown of expenses, it was found that "Delivery and Cartage" was the most costly item and averaged around 4 cents per unit. In "Processing and Manufacturing" the cost was fairly uniform and averaged at about 3.25 cents per unit. These two items together with the cost of "Administration and Selling," which averaged about 1-1/4 cents per unit, make up the total expense. (Unit Values: 1 quart milk, 1 unit; 1 quart skim milk, 1 unit; 1 quart chocolate milk, 1 unit; 1 quart buttermilk, 1 unit; 1 quart substandard cream, 2 units; 1 quart coffee cream, 4 units; 1 quart whipping cream, 6 units).

And then there is an explanation as to unit values. We used a quart of milk as the basis, and then make the others equivalent.

In the following table, sales of whole milk include what is sold to country points. In the markets of Saskatoon and Swift Current, there is quite a large volume of such milk.



SALES OF WHOLE MILK, 1957

<u>Area</u>	<u>Quarts</u>	<u>Number Plants</u>	<u>Average Sales Per Plant</u>
Moose Jaw	3,868,591	3	1,289,530
Regina	10,671,820	4	2,667,955
Prince Albert	2,768,147	2	1,384,073
Yorkton	931,352	2	465,676
Saskatoon	11,831,259	4	2,957,814
Swift Current	1,907,505	1	1,907,505
The Battlefords	1,269,388	2	634,694
Humboldt	387,093	1	387,093
Melville	637,213	2	318,606

You will notice the number of areas, the number of plants in each area, and the resultant average sales per plant. The average sales per plant vary quite considerably.

Through the operation of The Milk Control Board, both producer and consumer prices have been fairly well stabilized. Infrequent price changes have reflected actual changes in the costs of production and processing operations. For the most part, when price increases have been requested, public hearings have been held. At these hearings, the distributors and the producers have supported their requests with cost figures. In some instances the Board has insisted on further economies being introduced to the distributors' operations as a



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prerequisite to consideration of any increase in margin.

Then I thought it would be of interest to the Commission to know something about the prices throughout the whole of the province, whether they be in the controlled areas or not. It just happened we had a current investigation on, and slightly over half of the results have come in before I put this together.

Retail Milk Prices, province-wide: In addition to the nine areas under the jurisdiction of The Milk Control Board, there are many places where processing plants are in operation. Frequently, producers for such places inquire regarding the controlled area prices. The distributors in these places have the privilege of establishing their own producer and consumer prices. It is obvious when reviewing the prices charged, that these distributors use our prices as a guide for theirs. Thus, indirectly, the Board does influence the price structure of these non-controlled areas.

A current survey of consumer prices, in the 113 cities, towns and villages where the sale of pasteurized milk is made compulsory by local or provincial law, is summarized in the following table.

CONSUMER PRICES FOR PASTEURIZED MILK

	Delivered, Per Quart			From Stores, Per Quart		
	In Glass	In Paper	Cartons	In Glass	In Paper	Cartons
	¢	¢	¢	¢	¢	¢
Controlled areas	19-21	22 (Minimum)		19-21	22 (Minimum)	
Saskatoon only						
Areas, other than Controlled, where there are pasteur- ization plants	19-21	21-22		19-25	21-25	
Other towns and villages	19-27	21-29		21-27	23-29	

And then there are the three sections, controlled areas, delivered price per quart in glass ranges from 19 to 21, depending on the area, and we have a Board order which sets the price of milk in paper at least one cent above our price set for glass, and that is why in Saskatoon where the price is 21 cents delivered to the retailer, consumer in glass. It would be 22 cents in paper. Now that is the minimum. I believe they are charging more than that. From the stores, of course, there is a variation there again. Going to the other areas where there are pasteurization plants, and not under control, you will notice that delivered per quart in glass is the same range as in controlled areas, 19 to 21. In paper, about the same, 21 and 22. As you get to the store sales, they vary more than in those centres, because the storekeeper takes a higher mark-up than the dairy does, and then in the towns and villages where there

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are no pasteurization plants, and get their milk from central points such as Regina, Saskatoon, Swift Current, and so on, the price ranges almost all over the lot.

That is understandable because of transportation costs of getting the raw milk into the pasteurization plants, and then back out again, but it can be as high as 29 cents in paper cartons in some places.

Of further interest to you, I received a report from Uranium City which states that milk purchased in stores there is 45 cents a quart there, and that is all made from re-constituted milk, and they have to bring in fluid milk in from Edmonton, which ranges from 55 cents to 60 cents a quart. That is a long way away, and haven't any particular production in that area.

THE CHAIRMAN: Thank you very much, Mr. Ridley. We realize that milk marketing is substantially a Provincial matter, but we are interested in the milk marketing situation, fluid milk as an illustration of controlled prices. In this connection, and in relation to our problem of the spreads, it would be interesting if we could have from you the prices set by the Board over the last 10 years indicating when changes were made and what the order of the change was. You wouldn't have that information with you, would you?



MR. RIDLEY: I haven't it with me no, but could get them very easily.

THE CHAIRMAN: Perhaps we may write you and ask for that.

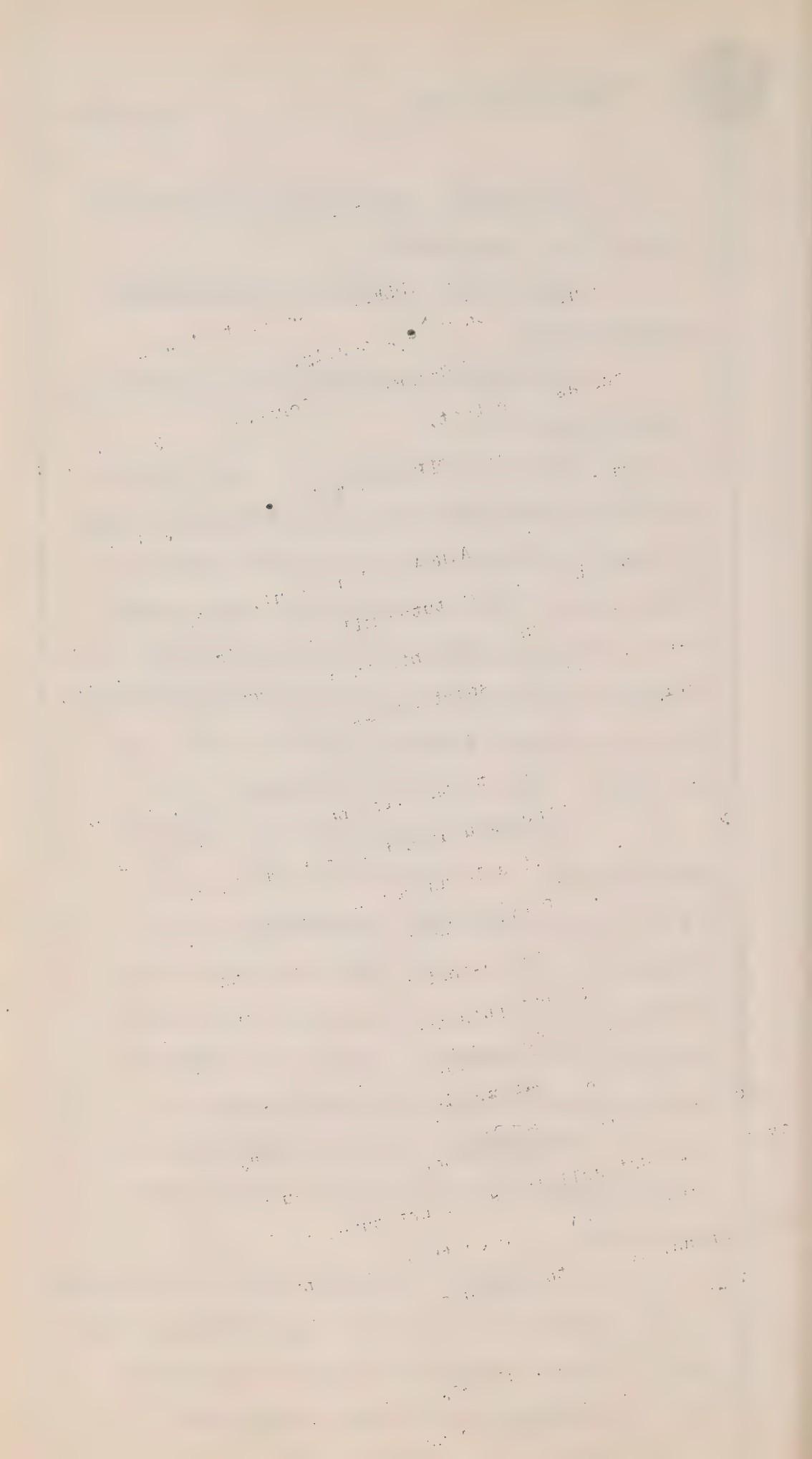
MR. RIDLEY: I will get it to you before you leave if you wish.

THE CHAIRMAN: Wonderful. May I just ask about this reconstituted milk and it is not necessary I think for us to go into this in great detail, but in the case of a short supply market, which presumably if it is persistent could be corrected by a rise in price, you turn to the alternative of reconstituted milk, and I gather you do not like to do this, but you do it. Is it sold as reconstituted milk?

MR. RIDLEY: There is no law demanding that they sell it as reconstituted milk. There is the odd dairy that puts the wording on a cap saying it is reconstituted milk, but most of them do not. It goes out as fluid milk, and it may be mixed one with the other. There is no regulation saying they must sell it as reconstituted milk.

THE CHAIRMAN: Does this imply that it is really impossible for the consumer to detect the difference?

MR. RIDLEY: I would say that it is, although a lot of consumers claim it is reconstituted when it isn't. I know I would not be able to tell myself, and I don't know how the average consumer can.





THE CHAIRMAN: How many of the dairies in the larger centers in the province are co-operatives?

MR. RIDLEY: There are the two large organizations, the Dairy and Poultry Pool at Saskatoon, with branches at Prince Albert and North Battleford, and then the Saskatchewan Co-operative Creamery Association Limited, with their head office here in Regina, and branches in the controlled areas I am talking about, with branches at Swift Current, Moose Jaw, Yorkton, Saskatoon, Humboldt and Saskatoon. Humboldt and North Battleford fairly predominate the situation actually.

THE CHAIRMAN: I am asking these questions because as far as I know we have not got a brief on dairy products marketing. If you have the answers, perhaps you could help me.

Are these dairy pools engaged only in the marketing of the dairy products, or may be handling eggs and other products?

MR. RIDLEY: The Saskatchewan Co-operative Creamery Association in particular handles almost all dairy products and poultry and eggs. To a large extent Dairy and Poultry Pool is mainly milk, ice cream and butter, and I believe they have the small branch in the eggs as well, not too many.

THE CHAIRMAN: Do you happen to know the extent of the patronage dividend paid by the pool?

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W. H. G.

179. *P. f. fuscum* (L.) C. L. Smith

N. S.

180. *P. f. fuscum* (L.) C. L. Smith

181. *P. f. fuscum* (L.) C. L. Smith

182.

183.

184. *P. f. fuscum* (L.) C. L. Smith

185. *P. f. fuscum* (L.) C. L. Smith

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188. *P. f. fuscum* (L.) C. L. Smith

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191. 192.



MR. RIDLEY: No I do not. They do not supply us with that information. We can get it if we so desire.

THE CHAIRMAN: We can get it ourselves.

MR. RIDLEY: There is a difference between the two co-operatives. You may be interested in knowing the Co-operative Creamery Association have their branches and they are all operated as individual branches. There are a few private organizations and they buy according to our prices and distribute according to our prices and the poultry pool also has a few branches, not as many as the other organization. Their branches pay their own pool organization as the one producer, dairy and poultry, consider themselves to be the producer they buy by our price schedules but the producers participate in the average, which includes butter, ice cream, cheddar cheese, etcetera. That is an agreement by contract with the producers.

THE CHAIRMAN: Has there been an increase in milk? Is there more dairy products than milk going into processed products today than there was, say, 10 years ago.

MR. RIDLEY: I think that is right. I cannot give you any idea of the percentage, of course, but it has been going up rapidly. We were faced with the problem a year ago February when the producers and distributors were asking for increases



and we were being definitely told if prices did not go up the producers would drop out of business. We did not go along with the demand. We thought it was unreasonable and it turns out the farmers did not go out of business, but kept on increasing even greater than ever. We think the price set has been reasonable to all concerned. Today the producers seem to be reasonably well satisfied with the prices we have set. That I cannot say for the distributors.

They are in trouble and so am I.

THE CHAIRMAN: In the controlled areas the shippers of fluid milk are on quotas, are they?

MR. RIDLEY: Partially. We have no regulation saying milk must be purchased on a quota. We have two areas under direct control, Moose Jaw and Regina. The others are using a quota of their own. We might set up a formula for them. We did not enforce it. That is partially because we have another situation which is different from any other province. We have summer and winter price for milk. The reason for that is to try and encourage the winter production. The price is lower in summer than winter. This has been in operation for quite some years.

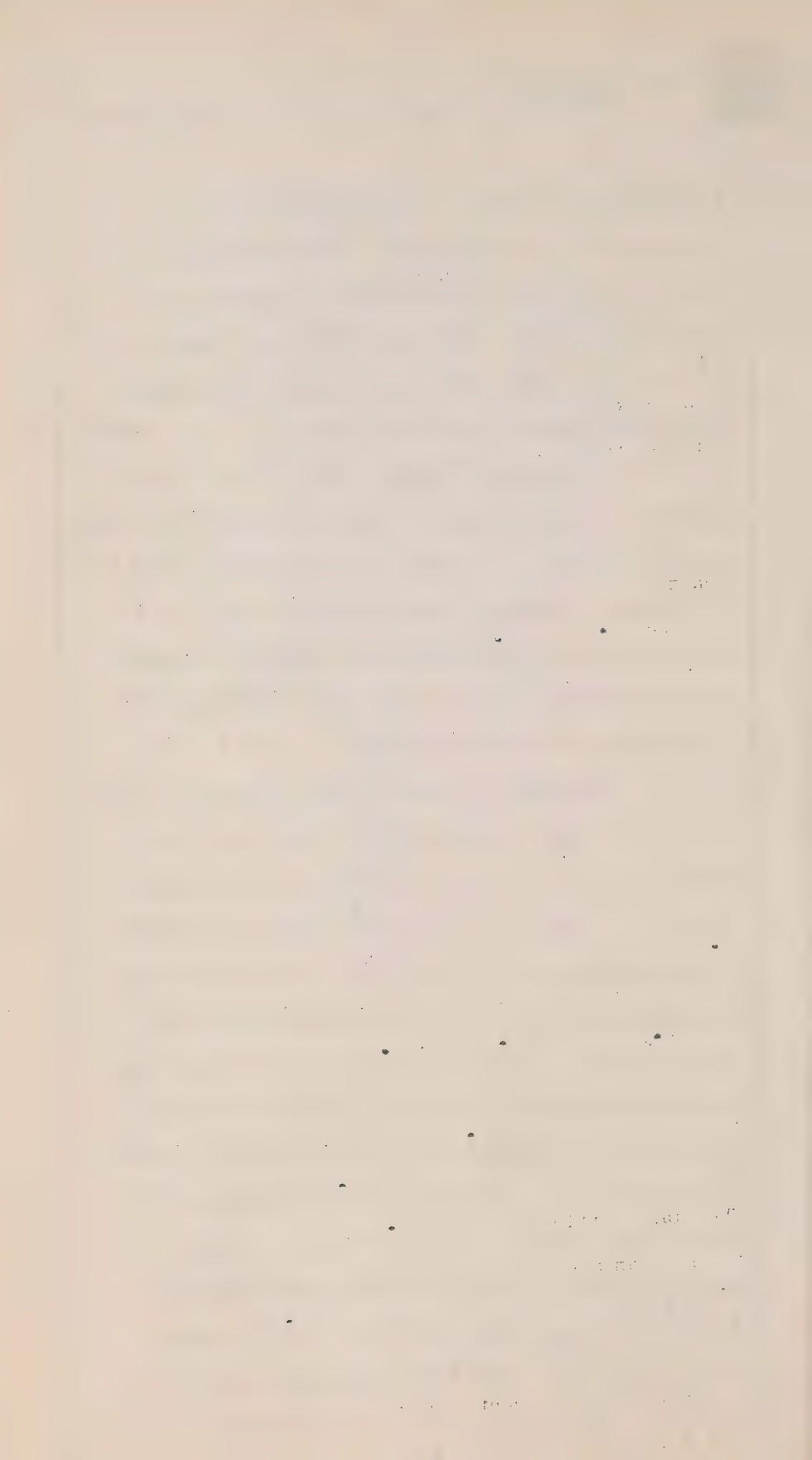
The quota does not seem quite necessary. Whether one could do without the other I don't know. We find newer centres starting up. The new centres, in order to become more organized are asking us to



set up quotas for them. We are thinking of instituting that in regulations. There again we are in difficulty with one organization, that is the Pool organization. With their method of payment to their members, they could hardly operate on a quota unless they changed the entire system.

COMMISSIONER WALTON: Could I just ask two questions. We have heard in the brief some place about cartons for milk. It was implied they were cheap to operate, or cheaper than the glass bottle. I notice in your statement you had a one-cent minimum. Could you amplify that? Does the carton cost more in relation to the glass bottle?

MR. RIDLEY: From all the information I have been able to garner across Canada, and across the States, it does cost more to put milk up in a paper carton. It costs in the initial stages about 2-1/4 to 2-1/2 cents more. If the plant were re-organized and they put out the bottle washing equipment, and go into paper, I think it is estimated it would cost around one cent more per unit or quarts than glass. That, of course, is because of the disposable carton. The glass bottle, some will tell you, will have 40 trips on an average. Others will say 50 to 60. It will depend on the efficiency of the operation. I think it is generally understood that the paper carton will cost a cent more regardless of what they will do. That is the best of my knowledge.





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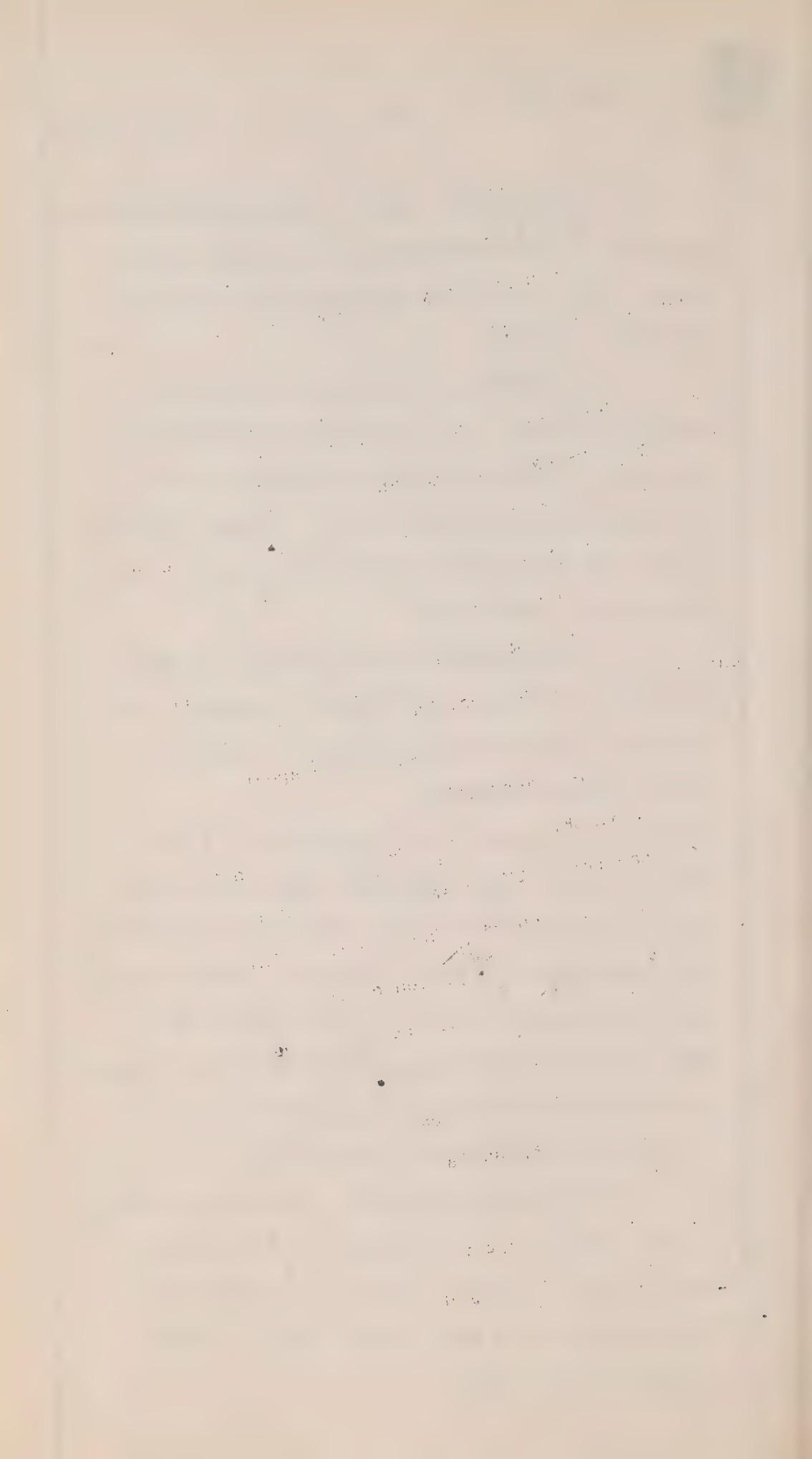
COMMISSIONER WALTON: Concerning the delivery charges, on your statement you said about 4 cents a quart. Do you have any five-day delivery or every other day delivery?

MR. RIDLEY: Most centres are on five-day delivery now. I have one area in Saskatchewan which is on 6-day delivery, and has only been on 6-day delivery for the last year. There is one on 7, but the others are on 6 now. Three want to go on five and the other won't.

COMMISSIONER DRUMMOND: One or two small questions following up Mrs. Walton's question. Has there been any discussion whatever in respect of every other day delivery?

MR. RIDLEY: No, Dr. Drummond. I don't think there has been officially, there might have been in private conferences. The general opinion is they don't want it. From experience elsewhere they don't want it at all. They would be satisfied to stay on five-day delivery, no Wednesday and no Sunday. As far as I know they have not found any evidence to consider every other day satisfactory.

COMMISSIONER DRUMMOND: In respect of sales to the country, I think perhaps we might benefit by what is meant by that. I think your situation in this province is to some extent unique. I think you have country sales.





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MR. RIDLEY: There is one reason, of course, so many centres have pasteurization by-laws and they must sell pasteurized milk. You cannot afford to put up a pasteurization plant and therefore the milk has to go from a central point, such as Saskatoon, if you like, and Swift Current. They are two points, I believe, that sell the greatest percentage of the entire volume to the country. They send that milk a considerable distance, probably 100 miles outside of Swift Current and Saskatoon. Saskatoon has two large trailer trucks that cover each district every other day. They have every other day delivery. That is not in the true sense of the word. I don't think they go on Sunday at all. There is three-day delivery in each area outside Saskatoon. Whether that is profitable or otherwise we don't know. We have not gone into that. The financial statements are of recent origin, and we have not got that ironed out to our satisfaction. They are able to set their own prices. If they don't make any money on country sales it is their own fault entirely. They do try and intimate "Don't bother with us" but they still apparently have trouble.

That is one of the problems we have one department with the other. This milk is processed in the city and has to go to the outlying areas. It is a matter of how it gets out, a Government or refrigerated truck. It has to be under the inspection



of the Health Department officials. At quite a number of places it is delivered in these towns. - Other places it is dropped off at the store and sold out of the store. There are two ways, depending whether they pay a cent or more to have it delivered. I think that sometimes the storekeeper takes advantage of that and takes the mark-up. We do get the odd complaint from places like that. They say: "We have to pay 27 or 28 or 29 cents a quart". In the city where they came from it was probably only 21 cents. There is that transportation cost. Does that explain that?

COMMISSIONER DRUMMOND: Thank you very much. The reason I was interested there was that obviously the transportation cost is large at best and it occurred to me at least in connection with this particular distribution you might certainly try the every other day idea. As you have indicated that is about what has happened.

MR. RIDLEY: That is right.

COMMISSIONER DRUMMOND: I just wondered if you had thought of applying the same general principles to deliveries generally.

MR. RIDLEY: We thought that the five-day delivery will cover it very well at the moment anyway, if we could get them all on to five-day delivery. We have distributors supplying milk by a five-day delivery, but at one of our dairy meetings I do



remember one of the distributors from elsewhere saying they wished they had never gone on every other day delivery. It comes on alternative days. It is Sunday this week and Monday next week and so on.

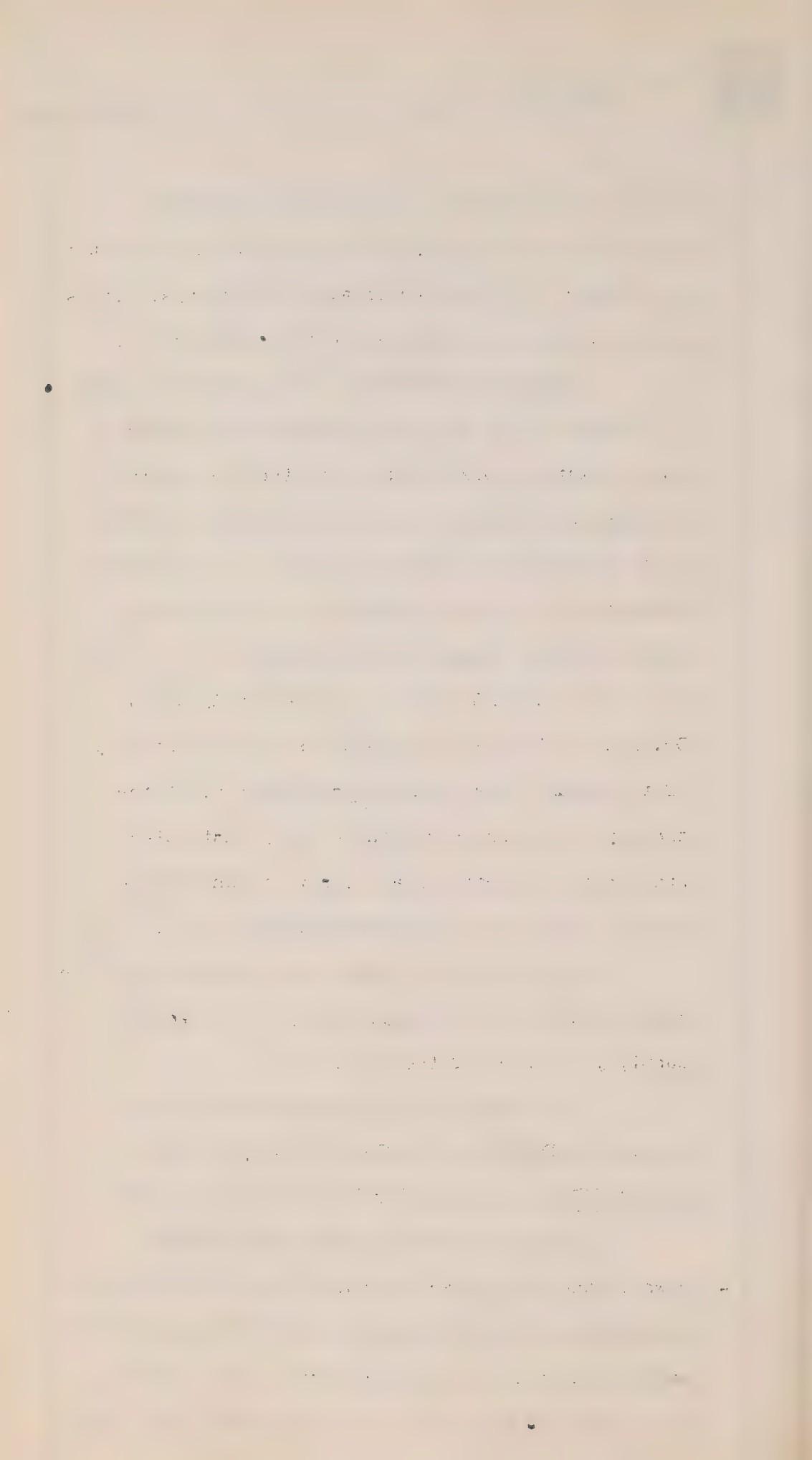
COMMISSIONER DRUMMOND: You indicate on page five at the bottom "The Milk Control Board has required distributors to submit to the Board detailed statements of operation as a guide to the establishment of reasonable operating profits." I am wondering the extent to which your practice in that respect is also probably unique in this country.

MR. RIDLEY: It is not actually unique, Dr. Drummond, because it is almost a straight copy of the document used in British Columbia. After the Royal Commission sat there, they instituted a statement of operations and I saw it, and thought it was so good that we practically copied it.

We have not gone quite as far as I think we should, but this is a copy. If you wish we could supply you copies of the form.

As I mentioned previously we have not ironed it out to our satisfaction as yet. They say figures do not lie, but I am starting to wonder.

It is a matter of putting the clauses down in the right place because we have had it divided into three major sections, processing and manufacturing, cartage and delivery and administration and selling, and we have had it broken down even further than that,





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but we had a little criticism with that. I don't think too much. They will have an extra section there to show cartage and delivery cost in country only.

I think that is a major factor. I think we will have to get out a statement, as time goes on, because right now we are being told by one of our areas that they are losing money in their delivery door to door in the controlled area. We know their overall situation is very very good. What does a person do? If we had that section in there we would have probably known and been able to go and check it, but it is not unique to that extent. I know Ontario does ask for a financial statement. I do not know whether it is just like this or not.

THE CHAIRMAN: We would appreciate very much getting that outlined.

MR. RIDLEY: Yes.

COMMISSIONER DRUMMOND: One other point on page 6, you mention there that there has been a profit of almost a cent for all other distributors. The question I was going to ask you was, if you thought that rate of profit was reasonable? As you know, one of the things that we have to think of is the reasonableness of things.

MR. RIDLEY: I have not got a breakdown of the reasonable profit per unit. I think it depends to such a large extent on the volume of business.



If they have quite a large volume of business they can get along very well, I would say with half a cent per unit whereas in a much smaller business they will need a cent or a cent and a quarter to get on at all. I think that is the only answer I can give you.

COMMISSIONER DRUMMOND: Just one other question. In the very first sentence in your brief you say "Advantages to be derived from the exercise of control of the price of food products are well illustrated when one takes milk pricing as an example". I am wondering if you or possibly the Minister would be inclined to take this as an example of the type of organizational set-up that might be applied to the marketing of food products generally or at least some others.

MR. RIDLEY: May I refer that to Charlie Schwartz?

MR. SCHWARTZ: I do not quite know, Mr. Commissioner, where I got in here, but I think the answer actually is in the nature of the individual product to be marketed. When milk is the product, the production and consumption takes place within a fairly compact area. We are not faced with the same problem in marketing this particular product as we are in say the marketing of livestock or the marketing of wheat or grains where so much of our product goes across provincial boundaries and in some cases goes into the export channels.



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Mr. Ridley

So, depending on the nature of the product the organizational set-up to meet the problems involved there differ. I do not think that the organizational structure of the Milk Control Board, valuable though it is, will meet the problems of say the livestock producer or of the grain producers.

EXHIBIT NO. 25-A: Statement of operation
of the Saskatchewan Milk
Control Board.

THE CHAIRMAN: Thank you very much for your presentation, Mr. Ridley. I think those are the only questions we have to ask just now. We would appreciate having the information on prices over the past ten years from you.

MR. RIDLEY: Very well, we will do that for you.

THE CHAIRMAN: We will recess now for a few minutes. The brief immediately following that will be from the Saskatchewan Fish Marketing Services, Mr. Houseman.

---- Recess.



SUBMISSION OF
THE SASKATCHEWAN FISH MARKETING SERVICES

Appearances:

W.A. Houseman - Chairman

A.F. Corney - Manager

THE CHAIRMAN: Mr. Houseman?

MR. HOUSEMAN: I would like to introduce Mr. Corney, who is manager of the Fish Marketing Service, also a director of Marketing Services and vice-president of the Fisheries Council of Canada.

Now we hope that we can answer any other additional questions that you may have in connection with this brief.

THE CHAIRMAN: The brief of the Saskatchewan Fish Marketing Service will be Exhibit No. 26.

EXHIBIT NO. 26: Brief of the Saskatchewan Fish Marketing Services.

MR. HOUSEMAN: The Saskatchewan Fish Marketing Service was established in 1949 to provide marketing services for the fishermen who must, of necessity, fish for all or part of their living, and to concentrate on the social and economic needs of these fishermen.

Objectives: 1. The Service operates on a non-profit basis, and after meeting marketing costs,



passes on the returns to the producer.

2. The Service operates on a voluntary basis at the request of local fishermen on any lake or in any fishing area.

3. The Service endeavours to lessen the price spread between the fishermen and the distributor through marketing economies in order to increase the financial returns to the fishermen.

4. The Service encourages and assists the fishermen in the formation of co-operatives.

Scope and Nature of the Operations: 1. The Saskatchewan Fish Marketing Service's field of operations includes all marketing functions from the production of fish on the lake to the sale to distributor, jobber or wholesaler.

2. The Fish Marketing Service operates primarily in the north-eastern part of the province of Saskatchewan and markets annually approximately 50 per cent of the total commercial fish production of Saskatchewan.

3. Facilities such as filleting plants, packing plants, warehouses etcetera have been provided by the Department of Natural Resources of Saskatchewan, the Saskatchewan Fish Marketing Service and by Fishermen's Co-operatives.

4. The Saskatchewan Fish Marketing Service markets fresh, frozen and filleted fish, the main species being whitefish and lake trout.



5. The Saskatchewan Fish Marketing Service sells fish and fish products to distributors mainly and has no knowledge of the spread of prices between the distributor and the consumer. It believes that it exerts little or no influence on the market price to the final consumer.

Characteristics of the Fish Market: 1. The main marketing outlets for inland fresh water fish are located in Eastern Canada and the Eastern United States. It is estimated that approximately two-thirds of Saskatchewan's commercial fish production finds its way into the Eastern American markets.

2. Hence, the prices received for such fish products are largely determined by the export market which is generally higher than the Canadian market.

3. Market information and statistics are not sufficiently current and are very difficult to obtain, particularly for the individual fisherman or producers in isolated areas.

4. Fish is a highly perishable product leading, on occasion through deterioration, to heavy inventory losses. Gluts appear on the market without notice and very quickly create unstable markets.

5. Limited integration from producer to consumer does not permit an orderly flow of the product to the markets.

6. Fish production in Canada is widely dispersed and generally operations are intermittent

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and seasonal.

7. Because production at the source is not scheduled to suit the market demand fish from various lakes often competes in the same markets at the same time yielding distressed prices to the producer. The price paid on fish is very sensitive and is complicated, often in an unpredictable manner, by such factors as seasonal character of the demand, religious observances which influence the market at times and by irregularity in volume of production on lakes.

8. Prices paid for fish are also sensitive to the prices paid for other protein products such as meat.

9. The major distributors of fish products are becoming fewer in number and so they are able to exert a greater influence in the marketing price structure.

The above factors contribute to a chaotic market situation.

Guaranteed Initial Price: 1. The sensitivity of the market for fish both in demand and price does not allow for orderly marketing of the product nor does it provide for stability for the primary producer of the product. The Government of Saskatchewan therefore instituted a guaranteed initial price for the product to benefit the fisherman so that in times of an extremely adverse market for his product he can be assured of a price to cover



his production costs and to provide a minimum income.

2. Such initial prices are set for each lake or fishing area and vary in accordance with production and marketing costs for such lake or area.

3. This policy of guaranteed initial prices is administered by the Department of Natural Resources of the Province and the Saskatchewan Fish Marketing Service acts as its agent in this connection.

Marketing Costs: Transportation: The transportation of the product from isolated lakes to the market bears a heavy percentage of the total marketing costs. In many cases the fish must be transported by air to the railhead and then by rail to the market.

Both air and rail transport costs have increased and so widened the fisherman-distributor spread.

In recent years the market has tended toward a filleted fish product. In conformity with this trend and in order to lessen the costs of transportation, the Fish Marketing Service has been changing more and more to the handling of filleted products rather than the whole fish. Filleted products represent by weight approximately 50 per cent of the whole fish weight. The transportation and handling as well as storage charges can thus be



decreased by about 50 per cent.

Labour Costs: The trend to a filleted product has added labour costs involved in the filleting, processing, freezing and handling of fish. However, since the price of a filleted product is less than twice the price of a whole fish, the food content of the filleted product is cheaper than that of the whole fish and the consumer receives better value for his purchase dollar.

The Saskatchewan Fish Marketing Service assesses a service charge for handling the product. This charge covers the following services at or near cost:

Supervision and management in field and plant.

Financing:

Protection against loss of accounts:

Provision of market information:

Sales or brokerage costs:

Office and travelling costs:

In addition to the foregoing, the following costs are added to the marketing process and have been rising continually:

Containers, cartons, wrappers, boxes:

Freezing and storage charges:

Depreciation on facilities and replacement of equipment.

Statements of two fishing operations handling whole fish where no air transportation is involved are



attached hereto as Appendix "A" and Appendix "B".

A statement comparing a fresh whitefish and a filleted whitefish operation at a remote lake requiring air transport of 120 miles to railhead and then of course rail to market is attached hereto as Appendix "C".

A comparative table of operations of Saskatchewan Fish Marketing Service for the fiscal years 1953-1957 is included herewith as Appendix "D".

Quality Control: 1. The addition of facilities for filleting, processing and freezing make it possible to bring a highly perishable product to the market in the best possible condition. The better quality product for the consumer is a filleted product rather than the whole fish, combined with lessened deterioration and waste of a food product which brings economic returns to the producer, affords benefits to both producer and consumer.

2. The availability of a better quality product has increased the confidence of the buyers and helps to stabilize the market.

3. The Federal Department of Fisheries is currently introducing an inspection system on a voluntary basis in all filleting plants to assure a better quality product to the consumer. It is recognized that some additional capital will have to be provided to meet the standards of such an inspection



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service. Such expenditures will add, of course, to marketing costs and further increase the spread between the price paid to the producer and by the consumer.

Summary: 1. The Saskatchewan Fish Marketing Service has passed on to the producer the total of the market price received for his product, less the marketing costs: Has effected efficiency of operation through centralized handling, bulk transportation of the product and the making available to fishermen the advantages of day to day market information: It is felt that the spread in costs have thus been minimized to the fisherman; and it is suggested, therefore, that producer marketing agencies functioning similarly to the Saskatchewan Fish Marketing Service should be encouraged as one means by which the spread in price between producer and consumer may be minimized.

2. It is suggested further that the Federal Government continue with the work of improved quality control of fish production and sanitation standards and inspection of plants throughout the entire industry to ensure a high quality product to the consumer.

3. It is felt that the Saskatchewan Fish Marketing Service has developed its procedures efficiently; but it is recognized that it may not



be possible for the Service to accomplish more towards lessening the price spread between producer and consumer. Therefore, it is further suggested that both Federal and Provincial authorities jointly assist in the matter of research into techniques and methods of production and harvesting of fresh water fish. It must be pointed out that since the introduction of new techniques might possibly displace some individual fishermen in the industry, leaving them no opportunity of alternative employment, such possibility would have to be given serious consideration in any role which the Federal Government elects to play in a program of comprehensive northern development.

I might just refer briefly to Appendix "A" which is a financial statement of a lake which has no air transportation costs involved, and the product is a whole fish, that is a dressed fish.

This is one of the most recent, March and April of this year. Secondly, the same only one of the smallest I believe operations we have in Appendix "B". Appendix "C" we have comparative costs of a remote lake where air transportation of 120 miles to railhead and then rail cost to market are involved, showing alternatives and the net difference to the fisherman. I might point out that under the fish product in Column "A" the net value of fish represents the equivalent of two pounds



of whole fish in the lake, therefore 6 cents to
the fisherman as a gainst 2-1/2 in the brief.

THE CHAIRMAN: Mr. Houseman, with reference
to that table, it seems as if you have the captions
for the two columns interchanged. You corrected that
yourself when you referred to Column "A" as the
fillet.

MR. HOUSEMAN: Yes, that is right. The first
column, Column "A" is a filleted item. Appendix "D"
is the comparative figures for the Fish Mareting
Services in total for the last fiscal year.

THE CHAIRMAN: Thank you, it is a very
useful addition to the information we have on the
inland fisheries. We are very glad to have it.
We have one Nova Scotian on the Commission who does
know something about the fishing industry, and I am
going to ask Mr. MacKichan if he has any questions
he might like to ask.

APPENDIX "A"

SASKATCHEWAN FISH MARKETING SERVICE

LAKE A CO-OPERATIVE

March and April, 1958

Sales of fish (at New York)	52,567.51
Less: exchange on American funds:	<u>1,302.24</u>
	51,265.27

Costs:

Rail charges to New York	7,834.00
Contractor	6,753.23
Trucking to railhead	1,383.00
S.F. M.S. charges - 138,300 lbs. (no charge on local sales)	4,149.00
Royalty (136,020 lbs whitefish) (2,280 lbs trout)	680.10 <u>22.80</u>
	<u>20,822.13</u>

Total available for fishermen:	30,443.14
--------------------------------	-----------

<u>Distributed as follows:</u>	<u>Initial Payment</u>	<u>Final Payment</u>	<u>Total</u>
2,025 lbs jumbo whitefish	18¢	08¢	@ 26¢ 526.50
29,382 lbs large "	12	14	@ 26 7,639.32
01,458 lbs medium "	10	11	@ 21 21,306.18
3,537 lbs trout	10	17	@ 27 954.99
12 lbs pickerel		10	@ 10 1.20
694 lbs jackfish		03	@ 03 20.82
37,108 lbs			30,449.01

Total Payments:

	<u>March /57</u>	<u>April /57</u>	<u>March /58</u>
jumbo whitefish	34¢	51¢	26¢
large whitefish	32¢	41¢	26¢
medium whitefish	28¢	34¢	21¢
trout	27¢	26¢	27¢
pickerel	--	11¢	10¢
jackfish	04¢	03¢	03¢

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APPENDIX "B"

SASKATCHEWAN FISH MARKETING SERVICE

LAKE B CO-OPERATIVE

April, 1958

ales of fish (at New York)	3,145.56
Less: exchange on American funds	<u>77.86</u>
	3,067.70

osts:

Rail charges to New York	494.76
Contractor	337.20
Trucking to railhead	84.00
S.F.M.S. charges - 8,400 lbs	252.00
Royalty (120 lbs trout (8,280 lbs whitefish)	1.20 <u>41.40</u>
	1,210.56
Total available for producers:	1,857.14

istributed as follows:

	Initial Payment	Total Payment	Total
363 lbs large whitefish	12¢	15¢	27¢
,709 lbs medium "	10¢	12½¢	22½¢
120 lbs trout	10¢	15¢	25¢
			30.00
			1,862.53

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APPENDIX "C"

COMPARATIVE TABLE OF COSTS OF MARKETING (a) Fresh Whitefish

(b) Filleted Whitefish

	(a) Fresh Whitefish : ¢ per lb.	(b) Filleted Whitefish ¢ per lb
Sale Price at Winnipeg:	37	21
Deduct Costs:		
Labour costs in filleting and processing:	6	
Labour costs in packing and icing:		4
Plant charges and operating costs:	2	1
Boxes, cartons & wrappers:	5	1
Service charge for adminis- tration and selling:	3	3
Royalty:	$\frac{1}{2}$	$\frac{1}{2}$
Air transportation to railhead: $5\frac{1}{2}$		6
Rail charges to market:	<u>3</u>	<u>3</u>
	25	$18\frac{1}{2}$
Net Value of Fish:	<u>12</u>	$2\frac{1}{2}$
Net income to fishermen per lb. of whitefish produced:	6¢	$2\frac{1}{2}$ ¢

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APPENDIX "D"

SASKATCHEWAN FISH MARKETING SERVICE

COMPARATIVE TABLE OF OPERATIONS

Accumulated advances from Government Finance Office at fiscal year end:	\$ 97,000	97,000	115,000	115,000
Fixed assets (net) :	29,793	34,402	42,554	82,735
Total sales of fish :	687,479	717,167	656,116	1,054,916
Net Revenue:	88,510	81,843	85,616	111,054
Operating costs:	78,449	71,853	74,611	107,345
Depreciation & Write-offs: - marketing service opera- tions	7,725	7,989	4,862	3,755
- area operations	6,992	7,858	9,719	8,577
Net surplus:	2,336	2,001	2,143	1,969
Fish inventory at year end:	83,860	81,903	156,094	142,891
Total amount charged to D.N.R. under floor price plan:	Nil	13,876	20,556	13,275
Amount paid to fishermen for fish:	305,947	327,933	345,651	482,200
Amount paid for flying fish:	61,927	59,361	49,009	91,356
Paid in royalties to D.N.R.	12,094	12,672	12,373	18,549
Paid to contractors for labour in area and for materials:	138,855	152,711	164,320	208,546
Fish received -pounds (approx)	3,900,000	4,400,000	4,727,000	5,540,000
Number of filleting and freezing plants in use:	7	7	8	8
Pounds of fillets produced:	624,265	757,820	994,081	1,466,783

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COMMISSIONER MacKICHAN: Mr. Chairman, the fish from Nova Scotia gets a bit out of water when he gets into the fresh water lakes. On the second item under objective, the service operates on a voluntary basis at the request of local fishermen. How is that expressed, or what number of fishermen is required to participate in the service?

MR. HOUSEMAN: Normally on a lake if the majority of fishermen request the service, that is say 50 or 75 fishermen on the lake, if the majority of fishermen on that lake request the service at a meeting, predetermined, then we market the product.

COMMISSIONER MacKICHAN: In the third paragraph would you just clarify that word "distributor" just at that point?

MR. HOUSEMAN: In most cases in Western Canada we deal of course through the packing plants. That is, we sell to the packing plant. In such markets as Chicago, Detroit, New York, there are of course large fish handling companies there, and we sell in most cases directly to such firms.

COMMISSIONER MacKICHAN: Would not include a retailer?

MR. HOUSEMAN: No, they in turn deal with the retailer to the final consumer.

COMMISSIONER MacKICHAN: Now in the formation of co-operatives like these fishermen, which I understand are in remote areas, after you have worked with

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Mr. Huseman

them for some little time you would try to get them to take local responsibility. Would that be the idea?

MR. CORNEY: Yes, that is correct.

COMMISSIONER MacKICHAN: And you would be able to probably reduce your own services to them, if they can handle it somewhat efficiently themselves?

MR. CORNEY: Actually what we do, we try as much as possible to get these people to take responsibility for packaging, for packing fish, distributing the payments to their members, doing as much work as possible in the field. In some areas they have carried it right through to the railhead. They put it on the car and we sell it for them, and pay one cheque to the co-operative rather than dealing with the individual fisherman. That is the way we are trying to do it.

COMMISSIONER MacKICHAN: You feel you are making some real progress in that area?

MR. CORNEY: That is right.

COMMISSIONER MacKICHAN: At the bottom of the paragraph on that sheet, you say you handle approximately 50 per cent. We would be interested whether you have got this 50 per cent rather exclusively in the more remote areas and the hardest places to organize. Would there be any truth in that?

MR. CORNEY: Yes, that is true. With



relation to the cost and expense it is easier for private operators to get in. We don't provide the same amount of competition. Then, too, some of the private dealers have gone to considerable expense to build plants in some of these areas. The fishermen have not asked us to come in.

COMMISSIONER MacKICHAN: Do you happen to be operating in certain areas in the same place?

MR. CORNEY: In one lake, that is divided by the border of Saskatchewan and Alberta, we market fish on the Saskatchewan side and the private dealers market fish from the same lake on the Alberta side. We don't operate in competition on any lakes. Either we handle it or we don't.

COMMISSIONER MacKICHAN: It is where you are divided by these fine provincial divisions?

MR. CORNEY: That is right.

COMMISSIONER MacKICHAN: At item 5 on page 2 you say you believe you exert little or no influence on the market price to the final consumer. I am again putting words in your mouth, beyond the distributor you are not exerting any influence?

MR. HOUSEMAN: That is right. Last year we had 5-1/2 million shown on the statement. It is a relatively small overall percentage of the export, the Canadian percentage.

COMMISSIONER MacKICHAN: It is from there that I would expect the larger spreads.



MR. HOUSEMAN: That is right.

COMMISSIONER MacKICHAN: In the third paragraph you speak of marketing information and the fact that statistics are not sufficiently current and are very difficult to obtain particularly for the individual fisherman or producers in isolated areas. Now, which end are you speaking of, from the D.E.S. or the difficulty in getting information from the fisheries that the D.B.S. could use?

MR. HOUSEMAN: I would say all through the industry. When you are dealing with a highly perishable commodity it is very difficult obtain this. When you have an erratic market the producer or the handler of the fish obviously retains that information for his own best purposes. It is very difficult to see forward in an erratic market. There are a lot of statistics, even the D.B.S. statistics, that we feel are not as adequate as they might be, partly, of course, due to the fact that the operators themselves do delay the information on occasions. Now then, in addition to that you may have a lake that might produce a certain level of production and that lake comes into production and the production may be very much in excess and at a certain period of time normal production may be beneath that level. The information is very difficult to obtain.

COMMISSIONER MacKICHAN: You mention at



"The major distributors of fish products are becoming fewer in number".

At what level would that apply?

MR. CORNEY: There is a trend in the fish industry, as other industries, towards centralization, as you probably know. There are fewer dealers. The dealers are getting together and I think that is what we are trying to point out here. There is a trend towards integration, monopoly of industry.

COMMISSIONER MacKICHAN: You mention at page 4, Item 3, the policy of guaranteed initial prices is administered by the Department of National Resources of the Province and the Saskatchewan Fish Marketing Service acts as its agent in this connection. I was making a few notes there. I was going to ask if you had any formula. That confuses me. As I look at the financial statement I think I can see this statement on Appendix "A". I think I can see where it would not be too difficult to fix the initial price.

MR. CORNEY: In some cases it is not difficult. In some cases it is very difficult. Now what we try to do, in consultation with officials living in the area and with the fishermen themselves, at the meetings we discuss these prices very thoroughly. If they are very set then we bring the recommendations of the fishermen to the Board of Directors, and the Department officials. From there on it is discussed



and finally they are set, and we feel that they are a very minimum. The intention is not to get an exaggerated initial price, but pay the cost of operation while they are operating, and the idea is the initial payment is as large as possible.

COMMISSIONER MacKICHAN: I would rather agree. That is quite sound if you can keep them going on that share of the final dollar.

We were just interested in this filleting operation. That is where you are running into such high costs for transportation. The fillets would be more cheaply transported. Is there a particular demand for the round fish?

MR. HOUSEMAN: Generally speaking there are different seasons. Of course in an erratic market where fresh fish will bring a substantial price with filleting facilities, you have an alternative. What I have done here is try and show what is approximate as close as we have our own data for the picture last summer. It is too early to go into it for the coming season. These were roughly the prices obtained in this particular area for filleted and fresh fish in the Winnipeg market. When you take the costs back to the producer, with the costs involved, from our viewpoint it favours in this particular case the filleted product. We give a maximum return to the fishermen. In addition to that, you are using the sum total resource out of



the lake. The economic return is greater plus the fact you do have additional utility of labour in that particular area. What you are doing is minimizing or lessening your freight and transportation costs on the waste end. That, of course, gives no economic gain generally. Transportation costs are high because industry relies on that. Those costs have been increasing over the time. Even at 6 cents a pound, with an aircraft of any kind and a flight with the aircraft of 120 miles, from an economic viewpoint the rate is high but we do maximize the return to the fishermen. It does not mean we necessarily take all the production on the lake as a filleted product. We do use this as a gauge and we might on occasion take a portion into the market when the fresh price is much better as compared to the filleted production.

COMMISSIONER MacKICHAN: At times there is a demand for the round fish.

MR. HOUSEMAN: Yes.

COMMISSIONER MacKICHAN: Just one other thing, the American Exchange. That is at Appendix "A". The American discount is 2.5 per cent. I was thinking you were very fortunate you were not using it when it was 5 and 6.

MR. CORNEY: We had those times too.

COMMISSIONER MacKICHAN: At page 7, paragraph 3, you say:



"Therefore, it is further suggested that both Federal and Provincial authorities jointly assist in the matter of research into techniques and methods of production and harvesting of fresh water fish."

Are you making some use of the Fisheries Research Board of Canada in this connection?

MR. CORNEY: Not very extensive use of it.

COMMISSIONER MackICHAN: There are no facilities near you?

MR. CORNEY: No.

COMMISSIONER MackICHAN: They are in Manitoba

MR. CORNEY: Yes.

MR. HOUSEMAN: I might mention here, Mr. Chairman, one of our interests in this is in the northern areas there is a problem in the responsibilities between the provincial and federal authorities. The Fish Marketing Service is made available to all, as we said, at the request of the majority of the fishermen. It does create a problem in the matter of expending monies in the introduction of higher utilization or higher implementation of labour. There is, of course, gill net fishing which we feel is getting somewhat obsolete. There is this problem of the split of responsibility of the provincial and federal authorities. There is an area of liaison



that would improve that situation, and of course make industry more economic for the primary producer.

COMMISSIONER MacKICHAN: The Research Board through industrial development is doing some work on that sort of thing, particularly in the use of new types of gear. That has been made available in certain areas.

Referring to page 5: "Depreciation on facilities and replacement of equipment". Does the Saskatchewan Fisheries Marketing Service work with some department of the government in recovery of this investment that would provide for any plants?

MR. HOUSEMAN: With respect to the provincially-owned plants, they in turn are leased to the Fish Marketing Service, and there is recovery on that. There is depreciation charged, and on the Co-operative plants the same applies there.

COMMISSIONER MacKICHAN: Conditions that would prevail in those remote areas could not be recovered very fast.

MR. HOUSEMAN: That is right.

COMMISSIONER MacKICHAN: Just one more question. Back on the first page. It probably



hasn't anything to do with price spreads, but I am just interested in it. That is in the last line: "To concentrate on the social and economic needs of these fishermen." What is the implication of the word "social" there?

MR. HOUSEMAN: Well, particularly the development of co-operatives, and of course the matter of some direction and self help; the matter of employment of these people in the areas. For instance, in the filleting plant, they are employed in the area and to develop co-operative cultural aspects that should be developed along with commercialism.

COMMISSIONER MacKICHAN: You feel you have not been completely successful if you just bring along the fish marketing in your organization if you do not bring the people along to a better standard of living.

MR. HOUSEMAN: That is right.

COMMISSIONER MacKICHAN: Thank you very much. Those are all the questions I have, Mr. Chairman.

COMMISSIONER WALTON: May I ask one question. I take it the filleting plants are located in the area where the fishing is done? Are they privately owned plants and do you do the marketing for them?

MR. CORNEY: No, as I pointed out earlier here, there are some Government-owned plants and some co-operative plants.

COMMISSIONER WALTON: But they are near the



lakes.

MR. CORNEY: They are located right on the lake; the purpose being to get the fish fresh and process it while it is still fresh in the interests of high quality, and secondly to cut down transportation charges and not having to transport the waste. There are also some private plants in the area.

COMMISSIONER WALTON: You do not do the marketing for the private plants. They do their own.

MR. CORNEY: Yes.

THE CHAIRMAN: Thank you, gentlemen.

COMMISSIONER DRUMMOND: At the bottom of page 3, you state "The sensitivity of the market for fish both in demand and price does not allow for orderly marketing of the product." Would you just slightly enlarge on that?

MR. HOUSEMAN: As I mentioned you may have production on lakes becoming very hectic to start with, but there are occasions when, for instance, with frozen fish or even fresh fish, say in Winnipeg, it will not move almost at any price. In other words, I had a situation very similar to that just last winter when there was a lack of marketing information, the situation became such that most purchasers of the fish just said "We will just sit by a little longer, and the fish price will go to a lower level", and it is that extreme erratic condition. It doesn't make any difference to the



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Mr. Houseman

volume of fish, whether it be large or small. On many occasions it just will not go into the market. That is the point there.

MR. CORNEY: Just in addition to that I might add particularly on the fresh market we have a number of producing provinces. There is no co-ordination on opening dates or anything like that between the provinces so you may have a situation arise where you have half a dozen lakes open at once. The fresh market will only absorb a certain amount of fish, and then it goes to pieces.

If you get all these lakes opening at once, you certainly cannot say you are entertaining anything like orderly marketing.

This is a product that needs wider control.

COMMISSIONER DRUMMOND: You mention that approximately two-thirds of Saskatchewan's commercial fish production finds its way into the Eastern American markets.

I was just wondering where the other one-third went.

MR. CORNEY: We sell quite a lot right in Saskatchewan and in Alberta, and in some other places.

THE CHAIRMAN: Thank you very much indeed, Mr. Houseman and Mr. Corney.

We would like to receive now the brief from the Saskatchewan Wheat Pool if Mr. Stevens is present.



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SUBMISSION OF
SASKATCHEWAN WHEAT POOL

Appearances:

A.R. Stevens	-	Assistant Secretary
W.J. Ball	-	Manager
I.M. Mumford	-	Research Department

THE CHAIRMAN: This brief will be Exhibit No. 27.

EXHIBIT NO. 27: Submission of brief of the Saskatchewan Wheat Pool.

MR. STEVENS: Thank you Mr. Chairman and Commissions. I would like first of all to introduce my associates Mr. J. Fall, who is the manager of our country and terminal elevator operations, and Mr. I.M. Mumford of our research department.

The Saskatchewan Wheat Pool is a farmer-owned co-operative organization engaged in the handling of grain and marketing of livestock. It is owned and controlled by approximately 85,000 farmer-members in the province. In addition to its commercial activities the Pool has a responsibility to express the collective views of its membership on matters of farm policy in the national and international field. These views are expressed either directly



to governments and other agencies, or through affiliation of the Pool with the Canadian Federation of Agriculture and the International Federation of Agricultural Producers.

The organization is controlled by its members through delegates whom they elect annually. Each of the 167 delegates is elected by the members within his sub-district. The delegates meet annually to establish the policies of the organization, and to review the business operations for the past year.

The delegates, in each Wheat Pool district, elect one of their number as a director. The 16 directors meet each month carry out the policies of the organization. From their number, they annually elect a president and other officers.

At local points throughout the province, the members elect Wheat Pool committees. At August, 1957, there were 1,107 of these committees in the province. Their function is to co-ordinate the activities of the Pool around the local shipping point, and act as a liaison between the members and the head office.

It will be evident, we think, from the above description of our organization, that provision is made for the views of farm people to be quickly and accurately reflected in the policies of the Wheat Pool.



was organized in 1924 as part of the attempt made by farmers during the first quarter of the century to improve living conditions in Saskatchewan farm homes by eliminating the unsatisfactory practices and aspects of the grain marketing business of that day. Farmer co-operation in the grain business had already been used effectively to reduce some of the excessive charges and tariffs applicable to the handling and marketing of grain. The action of farm people working co-operatively during this period brought spectacular results in reducing unjustified street spreads, tightening up grading regulations, and eliminating inefficiencies. This process was continued after the organization of the Wheat Pools and these organizations were particularly active in obtaining revisions of importance in the Canada Grain Act, which are still effective today.

The basic principle which led to the formation of the Pool organizations was the need of farmers for an element of stability in grain marketing. This had been enjoyed during the First World War, when the first Canadian Wheat Board was organized. The function of this Board primarily was to eliminate speculation in food products under wartime emergency conditions, in the interests of consumers. The farm population, after experiencing Board marketing, considered that it had operated in their interests, too, and were active in their demands that the Board



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Mr. Stevens

be continued in the post-war period. When it became evident that the Federal Government was not prepared to extend the life of the Board, farmers began in the early 1920's to consider the establishment of their own their own pools. This action was taken in 1923 and 1924, with three provincial Pools contracting for grain deliveries in the Prairie provinces, and linked together by the Central Selling Agency, whose duty it was to sell the grain to the consumer.

The objective of the Central Selling Agency was set out in the original charter, as follows:

"To be an agricultural organization instituted for the purpose of mutual help, to serve as the central marketing association for the corporations and persons mentioned in section (1) hereof, but for no others; to improve methods and reduce costs of marketing grain; to reduce speculation, manipulation and waste and all unnecessary transactions in such marketing; to increase consumption, build up new markets and develop new uses for grain; to market same directly and with regularity, so as to furnish **it** economically to the users thereof; and to preserve for the growers and the public their proper profits and economies."



We have taken the liberty of presenting this historical review before your Commission, because we wished to emphasize that the function for which our organization was established to some extent parallels the objective of your Commission. This, of course, is the function of any co-operative. Not only did the Wheat Pools succeed in eliminating some of the unnecessary cost of getting grain from the producer to the consumer, but they also were responsible for reductions in handling charges and the return of savings in the handling process to the producer.

Mr. Chairman, I would like to interject here if I may a statement in relation to this paragraph that I have just read. There is a reference here that we perhaps did not do quite as good a job of editing as we might have done, and we were citing those A.P.C. clauses not to prove that the farmer's costs have gone up, but rather to indicate that other segments in the economy were able and did succeed in getting increases in their wages or returns, and a little later on we will show how, there are graphs in here which indicate that there has not been a comparable increase in the prices to farmers, so that I would just like you to regard that more as evidence of the fact that others have been able to take care of these increases in costs by getting increases.



In spite of steadily mounting operating costs, handling, storage and commission rates are no higher today than they were prior to the Second World War. During the war these rates were actually reduced -- partly as a result of representations made by the Pools -- when large quantities of grain in storage made it possible to lower the handling and storage rates being levied.

In the past ten years, the maximum grain handling charges allowed by the Board of Grain Commissioners have increased by only 1/4 cent per bushel and now stand at 2-3/4 cents. The maximum storage rate allowed has for some time been 1/30 of a cent per bushel per day. Grain companies up until October 5, 1957 were charging only 1/35 of a cent per bushel per day, which was below the maximum allowed.

Street spreads of 4-1/2 cents per bushel on wheat and comparable spreads on other grains, allowed by the Canadian Wheat Board, are no wider today than they were 10 or 15 years ago.

It must be recognized that it is the earnings from storage, resulting from the fact that country elevators are heavily stocked with grain for long periods of time, that has made it possible to continue to handle grain at the present tariffs. Without these storage earnings, increases in handling



rates would have been inevitable.

Our organizations have steadfastly maintained the objective set out when the Central Selling Agency was established, as quoted above. The actual selling function of marketing wheat, oats and barley has for some years now been under the control of the Canadian Wheat Board. This, of course, was what the vast majority of farmers wanted in 1920 when the first Board was discontinued, and this is still the unqualified choice of the overwhelming majority of farmers.

In the field of livestock marketing, the Saskatchewan Wheat Pool acts as a sales agency, selling the livestock delivered by Pool members to buyers for packing houses and other interests. The division acts in the interests of the producer, obtaining the best price possible. The commission rate is set as close to actual cost as possible, and any savings effected are returned to producers in the form of a patronage dividend. In this manner, the services are supplied to the producer at cost.

Marketing Margins: The farm industry of Western Canada has been experiencing difficult conditions during the past five years. Farm prices have been declining but the cost of goods and services farmers buy have been increasing. As a result of this trend, farm prices in 1957 were 12 per cent lower than in 1947, while costs on the other hand were 50 per cent above the 1947 level.



Examples of some factors contributing to the increase in farm costs are as follows:

(a) Since 1947, those employed in industry, exclusive of the primary production industries, have obtained increases in wages amounting to 77.3 per cent.

(b) Excluding the 3.6 per cent increase in freight rates now under consideration, general freight rates have been increased by approximately 116 per cent.

(c) The general wholesale price index has risen 39.5 per cent.

We believe that it is in the national interest that farmers should receive a fair share of the national income.

While other segments of the economy have been able to obtain an upward adjustment in wages and prices, returns to the farmer have been declining sharply.

The situation is best reflected in the following chart showing the changes in the index of Saskatchewan farm prices, and the costs of goods and services used by farmers, from 1947 to 1957.

--- (See Exhibit No. 27 for Chart).

The divergent lines indicate what has happened between 1947 and 1957, and you will notice that the farm costs, those are the goods and services



that the farmer requires, has increased 50 per cent, and during the same period his prices which represent his income have dropped by something in excess of 12 per cent, so that while others have been able to get increases at least partly to offset the increase in costs, the farmer's prices have been going down. Then the explanatory note -- the graph was prepared using the following indexes, and then it sets out the sources.

It should be noted that the graph is not designed to show the comparative levels of farm costs and prices, but to indicate the change since 1947.

This trend is associated in part with an apparent increase in marketing margins between producers and consumers. The situation can best be summarized by reproducing a table published in the Economic Annalist, June 1956.

And then they are set out there. You will notice that 1949 is set out as 100, indicates retail food prices between 1949 and 1950 have increased from 100 to 110.81. This indicates that farm prices have gone down from 100 to 97.2, and the marketing margins have increased by 24.5 per cent, and the increase of farmer's share of consumer dollar has gone down from 100 to 91.4.

Index of Retail Food Prices, Farm Prices, Marketing
Margins and Farm Shares for 14 Selected Agri-
Agricultural Commodities
1949 = 100

Year	Index of Retail Food Prices	Index of Farm Prices	Index of Marketing Margins	Index of Farm Share of Consumer's Dollar
1949	100.0	100.0	100.0	100.0
1950	101.5	101.0	103.2	98.9
1951	115.6	115.4	113.2	100.4
1952	118.2	108.6	127.1	94.6
1953	113.1	102.3	126.1	92.6
1954	110.3	97.2	126.2	90.9
1955	110.8	97.2	124.5	91.4

The above table indicates that retail food prices increased by 11 per cent between 1949 and 1955 while farm prices declined by 3 per cent during the same period. The index of marketing margins rose by 25 per cent but the farm share of the consumer's dollar dropped by 9 per cent.

And then the source and information is set out there.

Source: "Marketing Margins and Farm Share of the Consumer's Food Dollar 1949-1955" - R.C. Gilstorf and G.E. Woollam - The Economic Annalist, June, 1956.

Another table from the same article shows what has happened with respect to 14 individual commodities.

I don't think I need to read these commodities. You will notice the one that we make specific reference to here is the second one on the list, white bread, and we have made some comment on this below the table. I will read it first.

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Farm Share of the Consumer's Dollar as a Percentage
of the Retail Price 14 Selected Commodities,
1949 to 1955

Commodity	1949	1950	1951	1952	1953	1954	1955 a
Wheat flour b	49	46	42	39	41	35	38
White Bread b	23	21	18	16	17	14	15
Beef, blue brand	64	67	71	62	57	58	59
Pork a	62	61	61	55	56	53	50
Chicken a	56	58	58	56	54	55	58
Eggs, A Large	82	78	80	74	77	73	76
Fluid Milk	56	55	54	54	54	53	53
Creamery butter	76	75	79	77	77	78	77
Cheese, plain process	35	32	35	27	27	28	27
Potatoes	48	45	49	61	43	45	51
Canned peaches	26	23	21	22	21	22	21
Canned tomatoes	20	21	18	17	21	22	21
Canned corn	15	15	14	15	18	17	17
Canned peas	17	18	19	19	20	20	21

a Preliminary

b Based on domestic price of wheat, in store Fort William/
Port Arthur, less marketing charges from farm to For
William/Port Arthur.

Source: "Marketing Margins and Farm Share of the
Consumer's Food Dollar 1949-1955" -
R.C. Gilstorf and G.E. Woollam - The
Economic Annalist, June, 1956.

This table shows that for several of the 14 commodities the share of the retail price returned to the farmer has declined substantially during the period under review. The remainder have remained almost stationary or have risen only slightly. One of the most striking examples has been bread, for which the share returned to the farmer had declined to 15 per cent by 1955. At the present time, the farmer's share of a 20-cent loaf is only slightly in excess of three cents.

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We believe it should be pointed out that while most processing and marketing organizations are able to pass on increases in costs to the next middleman in line -- and ultimately to the consumer -- the farmer is unable to meet his increased costs in this way.

Consequently, while general price levels have been rising in Canada, the price of wheat produced by the farmer has been falling.

You will notice that between 1945 and 1952 the price hovered down around the \$1.60 mark, and up as high as \$1.64. There are two years in there where it dropped below, 1950 and 1951, those two years the drop there generally represented a price decline, but it was the result of the deterioration of the quality of the crop in those two years which resulted in the lesser price. Now then over on the other column, between 1953 and 1957 you will see there has been a very substantial drop. Last year's figures of 1956 and 1957 are estimates that we have made on the best information available to us.



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Average Farm Price of Wheat in Saskatchewan 1945-1957

(The following prices represent the average of all grades, basis at the farm, plus interim and final Wheat Board Payments)

1945	\$1.64
1946	1.62
1947	1.63
1948	1.63
1949	1.61
1950	1.49
1951	1.52
1952	1.59
1953	1.33
1954	1.21
1955	1.37
1956	1.29 (E)
1957	1.29 (E)

(E) Estimated by the Saskatchewan Wheat Pool.

Source - Annual Report, Supervisor of Statistics,
Saskatchewan Department of Agriculture.

1914 is shown as being 100, and the purchasing power is shown in relation to what it was in 1914. You will notice that only during the years of the First World War did the price exceed that 100 per cent mark, and then you had the post-war depression following World War I, shown circled in black near the bottom of the chart, where the purchasing power got down to something akin to 45 per cent of what it had been, and then it gradually climbed out of that position for the next few years, and then it started to decline again, and you have in the second circled area in the year 1932, you have the depth of the depression of the thirties, which in this part of Canada are commonly called the dirty thirties,



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and then only once in the history of Western Canada was the purchasing power of a bushel of wheat lower than it is today, and that was in the thirties. You will see where it stands at the moment, it is slightly higher than it was in the thirties, but it is down substantially below. It is getting close to 40 per cent of what it was in 1957.

The above table shows clearly that the farmer has not been responsible for any increase in prices of bread or cereal products. In fact, if the trend of producer prices had been declined rather than increased during recent years.

More important than the actual prices shown above, however, is the purchasing power, in terms of goods and services used by farmers, that a bushel of wheat will pay for. The following chart reflects the purchasing power of wheat during the period since 1914.

---(See Exhibit No. 27 for Chart).

The above chart indicates that as a percentage of 1914, wheat today has a purchasing power of only 45 per cent, as compared with 96 per cent in 1945. The facts are that there is only one period in the history of Western Canada when the price of wheat was lower in relation to farm costs than it is at the present time. That was during the depths of the



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depression from 1930 to 1933.

In order to help correct the above situation we believe the farmer should receive a fair percentage of the retail price level for that portion of his crop marketed in Canada at least.

If the retail price rises, this usually means a general rise in the dollar economy of the country, and the farmer should receive his increased share. Only in this way will he be able to pay the increased costs of the goods he consumes, and the services he requires. For this reason, the Saskatchewan Wheat Pool has asked the Federal Government to establish the price of wheat for domestic human consumption on the basis of production costs and Canadian living standards. At the present time, we believe that the domestic price of wheat for human consumption should be not lower than \$2 per bushel, and that it move upward or downward from that point in relation to increases or decreases in the level of the general economy. At the present time wheat is selling in Canada at the same level as in the highly competitive overseas market. The price of No. 1 Northern in marketing positions at the Lakehead is about \$1.62 per bushel. This means, in our opinion, that Western farmers are subsidizing the Canadian consumer by about 40 cents per bushel. If this additional 40 cents were paid on the 50 million bushels of wheat used for human consumption in Canada, it would provide an



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additional \$20 million annual income to Western Canadian farmers, and would make some contribution towards keeping the returns for farm products in a fair relationship with the general economy. It seems to us a reasonable suggestion that farm prices, particularly for those commodities consumed in Canada, should enjoy their proper share of any price increases that take place at the retail level.

However, the primary producer has little opportunity to control the situation. He is unable to meet increased production costs as most other industries do by simply announcing an increase in price levels. Instead, at present he is forced to absorb the cost increase out of his own wages or the return on his capital. By setting up co-operatives and marketing boards the farmer is trying to meet this problem as well as possible himself.

The Saskatchewan Wheat Pool wholeheartedly supports any move which will result in the elimination of waste and unnecessary steps in the marketing of the production of the farm.

Nevertheless, we wish to draw to your attention the fact that under present circumstances, the farmer is caught in a vicious cost-price squeeze from which he has been unable to extricate himself, and is not receiving an adequate return on his labour and his capital investment.



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Mr. Stevens

We therefore strongly urge that in any recommendations which you may see fit to make, which aim at reducing the price to the ultimate consumer, the welfare of the farmer be not overlooked.

ANGE SINCE 1914 IN THE PURCHASING POWER OF A BUSHEL OF WHEAT IN
TERMS OF COMMODITIES AND SERVICES USED BY FARMERS (1914 = 100)

This index is constructed by dividing the farm price of wheat by the price index of commodities and services used by farmers, exclusive of living component, (Western Canada, 1935-14 = 100). The resulting figure is then converted to a 14 = 100 base.

	Farm Wheat Price (A)	Farm Cost Index (B)	Ratio	Conversion Divisor	Index (% of 1914)
14	.95	83.3	114.0	.8771	100.0
15	.91	88.2	103.1		91.5
16	1.28	98.8	129.5		113.6
17	1.95	135.4	144.0		126.3
18	1.99	158.6	125.5		110.1
19	2.32	168.1	138.0		121.0
20	1.55	183.1	84.6		74.2
21	.76	158.6	47.9		42.0
22	.85	136.6	62.2		54.2
23	.65	131.3	49.5		43.4
24	1.21	133.3	90.8		79.6
25	1.25	133.2	93.8		82.3
26	1.08	131.8	81.9		71.8
27	.97	130.7	74.2		65.1
28	.77	130.4	59.0		51.7
29	1.03	128.1	80.4		70.5
30	.47	118.5	39.6		34.7
31	.38	102.7	37.0		32.4
32	.35	91.9	36.1		31.7
33	.47	92.4	50.8		44.5
34	.61	96.4	63.2		55.4
35	.60	96.1	62.4		54.7
36	.92	98.5	93.4		81.9
37	1.05	103.1	101.8		89.3
38	.58	101.9	56.9		49.9
39	.54	99.8	54.1		47.4
40	.58	106.2	54.6		47.6
41	.59	113.6	51.9		45.2
42	.77	127.2	60.5		53.1
43	1.14	138.1	82.5		72.4
44	1.25	144.9	86.3		75.7
45	1.64	148.6	110.3		96.7
46	1.62	153.6	105.5		92.5
47	1.63	166.0	98.2		86.1
48	1.63	190.3	85.6		75.1
49	1.61	199.2	80.8		70.9
50	1.49	207.0	72.0		63.1
51	1.52	225.5	67.4		59.1
52	1.59	238.6	66.6		58.4
53	1.33	237.3	56.0		49.1
54	1.21	235.7	51.3		45.0
55	1.37	234.7	58.4		51.2
56	1.29 (E)	243.3	53.0		46.5 (E)
57	1.29 (E)	249.5	51.7		45.3 (E)

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APPENDIX "A" Contd.

(E) - Estimated by Saskatchewan Wheat Pool.

Sources:

- (A) Annual Report, Supervisor of Statistics, Provincial Department of Agriculture.
- (B) Prices & Price Indexes, 1949-52, D.B.S., and Price Index Bulletins of Commodities & Services Used by Farmers, since 1952.

APPENDIX "B"

Calculations Used in Preparing Graph of Farm Costs and Farm Prices

	<u>Farm Costs</u> (Western Canada - excl. living costs)		<u>Farm Prices</u> (Saskatchewan)	
	Index (1935-39 = 100)	% of 1947	Index (1935-39 = 100)	% of 1947
1947	166.0		226.1	
1948	190.2	114.6	247.1	109.3
1949	199.2	120.0	248.8	110.0
1950	207.0	124.7	251.5	111.2
1951	225.5	135.8	268.7	118.8
1952	238.6	143.7	245.9	108.8
1953	237.3	143.0	228.7	101.1
1954	235.7	142.0	208.7	92.3
1955	234.7	141.4	203.5	90.0
1956	243.3	146.6	208.1 (E)	92.9 (E)
1957	249.5 (P)	150.3	199.5 (E)	88.2 (E)

(P) - Preliminary.

(E) - Estimated by Saskatchewan Wheat Pool.

Source of indexes - Dominion Bureau of Statistics.

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THE CHAIRMAN: Thank you, Mr. Stevens.

It would have been very difficult if we had come to the province of Saskatchewan and not had a brief from the Saskatchewan Wheat Pool. I don't think there are very many questions that we would wish to ask you. As you point out on page 4, the handling charges for grain have actually declined in the past 10 years. You point out that this is related to the full use of capacity with the storage situation as it is. It is rather an unique situation. We agree that these charges have in fact come down in the past 10 years. This is clearly relevant to our inquiry.

Later on you touch on this cost price squeeze in relation to wheat prices to other products and suggest that in view of the organization the farmers should be receiving the price of \$2 per bushel and I think the discussion here clearly says to relate to some parity price concept.

This is a very significant matter, but I think it is outside our Terms of Reference, which have to do with a spread. However, if you feel this has a bearing on the rather narrow problems of the price spreads that is our concern, I would be glad to hear your argument.

MR. STEVENS: I think it would be capable of argument as to whether any part of this brief comes strictly within the Terms of Reference of our Commission. On the other hand, I also think it



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Mr. Stevens

would be most unfortunate if any action were taken by this Commission that did not take into account the position of the primary producer. The point is, there is one individual or the one group that seems unable to solve his own problem. We know that we are not the only group, but we do know one of the large groups that are in a very tough squeeze, and there appears to be no way of getting out of it.

That is why we suggested at the finish we hoped when you were dealing with your recommendations that you do not overlook the position of the farmer, because if you did proceed to draw up recommendations without regard to that, then I think it would be very unfortunate to say the least.

THE CHAIRMAN: Yes, I think we have been quite broad-minded in the matter of the evidence which we have received so far and we are glad to have this because it is, if you like, the environment in which our particular problem may be studied. As I say, we would have been disappointed if we felt it had not been put in evidence.

COMMISSIONER DRUMMOND: Just one comment that relates to what I think you have said at the top of page 7. You have been previously illustrating what has been taking place in the relationship between farm costs and farm prices in the graph. Then you stated this trend is associated in part



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Mr. Stevens

with the pattern increase in marketing margins between producer and consumer. To the extent it is associated in part it seems to me to be very definitely connected with our Terms of Reference.

MR. STEVENS: That is right.

COMMISSIONER DRUMMOND: I wondered if you had any further thoughts there which you might enlarge to indicate what part?

MR. STEVENS: Well, of course, we have reproduced the chart immediately following that you have just read to indicate that the indexes prove two things I think: One that the share of the consumer dollar goes into the pocket of the farmer has been going down at a time when the marketing margins have been going up and prices have been going up.

I do not know that I can add much to that except to indicate that it would suggest to me that the farmer has not been getting full recognition for what has been happening in the general economy of the country. I think that is probably as close as I can come to explaining what we were trying to suggest.

THE CHAIRMAN: Thank you very much indeed, gentlemen.



SUMMISSION OF
CANADIAN ASSOCIATION OF CONSUMERS

(Saskatchewan Branch)

Appearances:

Mrs. H.C. Foughton - Provincial Standards
Convenor

Dr. E.M. Brisbin

THE CHAIRMAN: The representatives of the Saskatchewan Branch of the Canadian Association of Consumers have come down from Saskatoon this afternoon with their brief. While we normally close our proceedings at 4.30, we would like to give them an opportunity to present their brief this afternoon, so we may carry on for a little while after that time.

MRS. H.C. BOUGHTON: We are sorry for the delay in presenting our brief. There was a misunderstanding as to the date of your sitting in Saskatchewan. We had assumed said meeting would not take place until September. Of necessity our brief will be brief.

We thank you for the opportunity of appearing before you.

The increase in the cost of living, accumulation of food surpluses and the price spread between



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Mrs. Boughton

producer and consumer gives us much concern.

We pay too much, the producer receives too little. Somewhere in between it should be possible to eliminate some costs.

As consumers we appreciate and are willing to pay for our protection in the improved inspection, grading, sanitary handling, quick cooling of milk; refrigeration of fish and meat and the extension of the availability of perishable products made possible through refrigerated transportation - but - is there not a point at which savings might be made and passed on to the consumer?

Might not a reduction in consumer prices prevent a continued and greater surplus of food products from building up?

Does price support increase the surplus and increase the cost to the consumer?

Do marketing boards tend to become monopolies, and in effect huge trusts, controlling and dominating the prices to producer and consumer?

How is it possible -- in fairness -- that home produce and foreign produce both sell at the same price to consumers when the foreign product bears the additional cost of tariffs and freight rates? Does the Home Producer benefit from this situation at the expense of the consumer or does a middleman or the retailer receive more than his



share of the price spread?

Prepared cereals and other foods are advertised extensively over TV and radio, this expense added to a highly decorative package and "Come On's" to attract the children, adds greatly to the cost but not to the food value.

A quote from Consumers' Bulletin of March, 1958: "Manufacturing of breakfast foods spent an amount equal to 11.8 per cent of their sales on advertising," The consumer pays.

Dairy products -- very necessary foods for the whole family but essentially so for children -- have increased so in price that the amount each family can afford financially has been limited.

(i.e. Dried milk has a support of 17 cents per pound but retails at 42 cents a pound).

Cheese is expensive at 39 cents for 8 ounces net weight.

Milk 21 cents a quart.

Eggs Grade "A" large at 2 dozen for 89 cents.

Would not a lower price, greater and improve production, increase consumption? Would not a price differential benefit consumers willing to carry milk from the store? Fewer deliveries per week could result in substantial savings and could be passed on to consumer.

The increasing size of Canadian families calls for larger sized cans of fruits and vegetables.



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Mrs. Foughton

The 20-ounce and 28-ounce tins would be a more practical buy if easily procurable.

The grading of canned fruits and vegetables should be of such uniformity that the consumer would be assured that the purchase is of the desired standard.

Should some of the saving made in breeding more productive and better stock be passed on to the consumer?

(i.e. Raising cows that produce more milk with more butter fat?)

Hens that lay more eggs per year?

Pigs with more lean and less fat?

Better herds, flocks, etcetera cut down expenses of handling yet produce the same or greater amount of food.

Would it be possible to have packaged food marked in simple factors of pounds? Or pints? That the consumer could quickly note amount, get the desired quantity or weight, and easily make price comparisons.

(i.e. 4 ounces, 8 ounces, 12 ounces, 16 ounces, and thus replace the awkward amounts such as 5 ounces, 6 ounces, 10 ounces, etcetera.)

Why does 1/2 pound tine of salmon cost 52 cents on the Prairies?

Why does a box of apples cost \$4.35?

Why was the price raised immediately on frozen orange juice on stock already on hand when



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the news announced frost in Florida?

Does sugar come under a control board?

Is the amount of sugar beet grown and processed in Canada restricted?

Does the broker set the sale price at which the retailer must sell? No allowance being made for low overhead costs, just a "Sell at my price or else--!"

At the present time the Commission is the only body capable of securing the necessary facts and figures of actual costs at all levels and thus answer the questions which we are consumers are asking.

Are we paying too much to some one some place, and to the producer too little?

Judging by the "High Cost of Living" the producer and the consumer are being pushed further and further apart to the financial betterment of neither -- or to the financial detriment of both.

THE CHAIRMAN: This will be Exhibit No. 28.

EXHIBIT NO. 28: Brief of the Saskatchewan Branch of the Canadian Association of Consumers.

THE CHAIRMAN: You are Mrs. H.C. Poughton, the Provincial Standards Convenor?

MRS. POUGHTON: Yes.

THE CHAIRMAN: And you have with you Dr. E.M. Brisbin who is a member of the Executive of the Saskatchewan Branch?

DR. PRISBIN: Yes.



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Mrs. Boughton

THE CHAIRMAN: I think Mrs. Walton has one or two questions.

COMMISSIONER WALTON: Mrs. Boughton, there are quite a lot of questions that you have given to us for consideration, and in many ways, in some cases they are very similar to those which were presented to us when we were in Winnipeg last week.

On page 3 you will understand that the price raised immediately on frozen orange juice actually does not come within our Terms of Reference, because ours are of Canadian origin, so that that would be one of the questions that I think would not apply to this Commission.

I was just wondering if you would care to amplify on page 1, the question how is it possible in fairness that home produce and foreign produce both sell at the same price, that applies to the one question where you use the example of apples at so much a box. Do you have any statistics that you could leave with us pointing out apples, whether they are from Ontario or local, whether from British Columbia? Have you any data at all?

MRS. BOUGHTON: They were from British Columbia. No, we have not, but the apples that we are speaking of are of British Columbia.

COMMISSIONER WALTON: You believe that the price here varied too much? I was just trying to get the implication of the price spread there,



were they the same price in British Columbia at the retail level or higher here, or was there an allowance for transportation that caused you to state it?

MRS. BOUGHTON: I am not sure. I believe they were the same price in British Columbia on the retail market as they are here.

COMMISSIONER WALTON: On page 2 you have asked the question "Would not a price differential benefit consumers willing to carry milk from the store?" Do you have any price differential in Saskatchewan in any areas as they have in Winnipeg. We found out that stores, if you carried milk, there was I think a 2-cent a quart differential on the store milk as against home delivered milk. Do you have any areas in Saskatchewan?

MR. BOUGHTON: No, I can't answer that. I don't believe there is a differential, but we have not in Saskatoon.

COMMISSIONER WALTON: Some of these questions perhaps are more consumer questions on size of cans, asking for 20-ounce cans, or 28-ounce cans, you believe that the price spread would be less or the cost less?

MR. BOUGHTON: Yes.

COMMISSIONER WALTON: Or that there would be increased consumption? Is that the thinking behind you mentioning some of these?



MRS. BOUGHTON: Also that with the larger family a smaller ounce can is not enough, and they often have to buy two, and buying two smaller cans is more expensive than buying one larger can, and often when they buy two smaller ones, there might be some left over.

COMMISSIONER WALTON: You have not done any research yourself?

MRS. BOUGHTON: No we have not, I am sorry, but we did not have time to get a lot of these people which you want.

COMMISSIONER WALTON: Dr. Stewart, quite a few of the questions that have been asked of us here we already have recorded as being asked that the Commission should investigate.

THE CHAIRMAN: Your last closing sentence:

"Judging by the high cost of living" --

To what were you referring? Do you have data from some source?

MR. BRISBIN: We were referring from the last data that we had seen in the paper, plus the request for increased costs the right to sell milk at a higher price, and that everything has been going steadily up and yet the producer says he is not receiving enough, and yet the family exchequer says we are paying too much because we are paying more, our grocery bills this last year are greater than our grocery bills the year before, and there is something



wrong if the producer is claiming he is not receiving enough and the consumer says our dollar is not going as far as it did.

COMMISSIONER WALTON: I was just wondering your source of information.

MR. BRISBIN: The source was the newspaper.

COMMISSIONER WALTON: Thank you.

COMMISSIONER DRUMMOND: You mention that you feel that the producer was not getting sufficient, and that the consumer is paying too much. I think you indicate in your questions, at least, if not otherwise in your brief, that possibly part of the reason for this widening spread is due to such things as extra advertising or the provision of additional services.

MRS. FOUGHTON: Yes.

COMMISSIONER DRUMMOND: Have you any views, or do you think the members of your local organization have any definite views in regard to the desirability of these extra services?

MR. BRISBIN: In any cases where it means the security, like milk being taken care of or eggs properly looked after, but they do wonder whether or not fruit should come to us on the Prairies carefully wrapped and each apple segregated from the other apple, which definitely raises, increases the costs of handling, and after all if an apple a day keeps the doctor away, you want to be able to give that to the child.



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Mrs. Foughton

Definitely the price of apples went up the minute they segregated each apple, like eggs are segregated in a crate, and there were various other samples given. Things that can be held for a while called for a higher price than those things which must be sold at once, or they are spoiled.

COMMISSIONER DRUMMOND: In other words, you are wondering whether there have been unnecessary services?

MR. BRISBIN: Unnecessary expenses added, and an unnecessary number of people in between the person who produces and the person who buys. Of course we are all consumers, every one of us, and we come into that category, but we wonder if there isn't -- if we haven't got too many middlemen.

COMMISSIONER DRUMMOND: What is your view in regard to advertising?

MR. BRISBIN: My view is of course that we get too much of it for one thing, and I was in the store the other day when a youngster raised quite a squall because he wanted a certain cereal, his mother did not want to buy it. She was all for oats, rolled oats, but he wanted the prize in that package, and there was quite a scene. I think a lot of that advertising is for the children, and the children bring pressure on the mother, if the mothers are unfortunate enough to take the children into the shop.

COMMISSIONER DRUMMOND: What if anything can

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be done or should be done about that?

DR. PRISBIN: I don't know what can be done. We just raised that question.

COMMISSIONER DRUMMOND: I notice you are awfully good at raising questions, but you can't supply the answer.

DR. PRISBIN: Because we don't know the answers.

COMMISSIONER DRUMMOND: Would I be correct in concluding that your organization, generally speaking, would perhaps benefit most from a simplified explanation of a whole lot of things that are actually happening?

DR. PRISBIN: Yes, definitely.

THE CHAIRMAN: You have come a long way for a relatively short time, but I would like to say that we are grateful to you. I wish you would take our thanks back to your provincial president and members of the committee and your local. We will be looking at all of the questions that you have mentioned here--

DR. PRISBIN: We hoped you would.

THE CHAIRMAN: And we will be making a study of them.

DR. PRISBIN: Thank you very much.

THE CHAIRMAN: We will now adjourn until 9 p.m. this evening when we will hear the brief from the Prince Rupert Fishermen's Co-operative Association.



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Mrs. Foughton

This will be in the library on the mezzanine floor of the Hotel Saskatchewan.

We will now adjourn.

--- The hearing adjourned at 4.45 p.m.
to resume at 9 p.m.



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SUBMISSION OF
PRINCE RUPERT FISHERMEN'S CO-OPERATIVE
ASSOCIATION

Appearances:

K.F. Harding - Secretary

THE CHAIRMAN: I will call you to order and open this session. The brief of the Prince Rupert Fishermen's Co-operative Association will be Exhibit No. 29.

EXHIBIT NO. 29: Brief of the Prince Rupert Fishermen's Co-operative Association.

Mr. Harding, we were very disappointed indeed when it became impossible to hear the submission from the Prince Rupert Fishermen's Co-operative Association in Vancouver, and we are very grateful to you indeed for letting us know that you could stop over here so that we might hear your presentation.

I am sure it has inconvenienced you somewhat, but we are very glad to have this on the record now.

I gather Mr. Sorensen is not with you, but if you would like to proceed and read the brief into the record, we will have a little conversation about it afterwards.



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Mr. Harding

MR. HARDING: I appreciate that Dr. Stewart. Certainly I appreciate the opportunity to present this brief, and we are sorry that Mr. Sorensen and Mr. McMaster, our solicitor, were not able to meet you, so that I will have to pinch hit for them as well as I can.

I hope you will excuse me reading the brief as it stands. There may be some references that will not exactly apply to me. You will appreciate that Mr. Forensen is our general sales manager, I am the general manager of the organization, and I am not as well acquainted with the sales problem as Mr. Sorensen would be, but I am acquainted, of course, with the general organization.

You all have copies I believe of this brief?

THE CHAIRMAN: Yes.

MR. HARDING: The following submissions are being made to the Commission in the hope that they may be helpful to it in pursuing the investigation which it has been directed to undertake. Unfortunately it has been impossible to back them up with the kind of research and the preparation of figures and facts which might be most helpful to the Commission. This is partly due to the shortness of notice, the hearings commencing as they have at the West Coast, and partly due to the multitudinous activities of the Co-operative Association at this time of year.



It is hoped, however, that in indicating the areas which appeared to this Association to be significant from our experience, it may be that the Commission itself may find one or more area which it may desire to investigate in greater detail. This Association is prepared in such event to open its records to the Commission and its experts, to investigate the facts and figures with respect to any of these matters where figures are available and to co-operate in every reasonable way in the investigation.

The matters with respect to which the Association would like to make brief submissions and to present some evidence to the Commission through Mr. Sorensen, its general sales manager, if that would be helpful, are the following:

(1) It needs to be appreciated that the Co-operative Association while strongly organized in certain branches of fisheries, the most important of which is halibut, is not so strongly organized in some other branches for reasons which Mr. Sorensen can explain in his evidence.

(2) To understand the present position of the Co-operative Association it is necessary to appreciate something of the history of the growth of this Association beginning back in the 1930's with small groups of fishermen in isolated areas along the northern coast of British Columbia co-operating together



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to sell their fish through the privately owned marketing agencies then available. From the days of those humble beginnings there has developed an Association with approximately 1,500 members, all of whom are fishermen who either own their own boats or, alternatively, fish on boats owned by other members of the Co-operative Association. This organization has now acquired assets totalling approximately \$4,000,000 which, except for the financing of ordinary working capital needs through the Credit Union and the P.C. Central Credit Union, and a relatively small debenture issue to its own members is owned by the fishermen members themselves.

(3) The method of operation of this Association is in accordance with recognized co-operative principles. This means not only that the door to membership is open to any bona fide fisherman but also that the Association operates on the principle of one member, one vote, irrespective of share capital investment. It further conducts its business in accordance with the co-operative principle of paying to the members the gross proceeds of the sale of their products after certain pooling, less only the cost of operation and reasonable reserves. The Association requires a fisherman, as he uses the services of the Association, to build up his equity in share capital and generally the amount of his



equity reflects the use he makes of its plant and facilities.

It may be worth drawing attention also to the fact that in an endeavour to free fishermen from the slavery of financial obligation to the person or Company to whom he seeks to sell his product, the Co-operative has developed a consumer department originally intended to assist him in acquiring his gear and outfitting his boat (and now expanded into broader areas). Also to this end, amongst the members of the Co-operative Association, there has developed the Prince Rupert Fishermen's Credit Union which was incorporated only about 1943 and the assets of which now approximate \$3,500,000.

(4) The Co-operative Association is now the sole owner of Fishermen's Co-operative Federation, a selling agency, initially established to service several fishermen's co-operative organizations on the coast. Through amalgamations on the one hand and misfortune striking the large southern Fishermen's Co-operative Association, the F.C.F. as it is called has now become the Canadian sales agency of Prince Rupert Fishermen's Co-operative Association. With respect to sales in the United States, Prince Rupert Fishermen's Co-operative Association, together with Halibut Producer's Co-operative Association, an American co-operative sales agency incorporated

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in the United States known as the Fishermen's Federation, Incorporated.

(5) The Commission may be interested in some description of the plant and facilities which the Co-operative Association has built up over the years to more efficiently handle the product of the fisherman and prepare the same for market and also to prepare bi-products for market. If so Mr. Sorensen will be in a position to give details in this respect. Perhaps it is sufficient to say most modern methods and equipment are used.

(6) The Co-operative carries the marketing process mainly to the point of selling to the large wholesale dealer. Some of these are wholesale dealers in fish products only and some are wholesalers also of meat. In its sales in the United States the Association through F.F.I. deals directly with some large chains but there also the main customers are wholesalers. In Canada the canned salmon which obviously does not present the same problem as fresh and frozen fish are marketed to large wholesalers and several large chains with the help of brokers.

(7) It appears to us that part of the problem of the price spread as it affects the producer arises out of several facts, two of which are:

(a) While in the production and preparation for market of fish we have established efficiency of plant facilities and operation which have resulted



in better quality and (subject to inflationary influences) also lower costs per unit, this same development has not taken place in the distribution of fish to the same extent. Compared with the handling of meat products the handling of fish in marketing lags behind. If, because of lack of facilities a retailer must throw away part of the fish as unsalable, obviously the amount of mark-up which he must charge on the balance will be proportionately increased, including a charge for a calculated risk.

(b) While co-operatively we have made great strides in assuring to the producer that the costs of handling and processing in preparing for market the products of the sea shall be as closely as possible the actual cost, we have failed to develop the techniques and machinery to co-operatively handle the marketing of his products substantially beyond the point of the wholesaler.

It should be observed that in Canada there is an Inter-Provincial Co-operative Wholesale Society with which this Association deals directly and through which both the producer and consumer are assured that they will only be required to pay the actual cost of handling the products of the sea between production and consumption. However, the facilities of that Inter-Provincial Co-operative Wholesale to handle products of the sea on a really economical basis are greatly limited by two factors:-



(a) The producer co-operative does not produce itself all varieties of fish products required for the market, and

(b) The extent of consumer co-operative organization in Canada in relation to the total retail market picture is dwarfed by the large chain stores.

Theoretically, if the producer co-operative could develop to cover all types of fishery and the consumer co-op grow large enough to justify proper handling, and facilities in the distribution of this perishable product in all parts of the country this would bridge the gap between the producer and consumer. This may be the direction in which the marketing of primary products should be encouraged to cut down price spread. (While this is a producer's organization it recognizes that for the producers' own ultimate protection of a good return, every effort must be made to cut down the cost through efficient marketing so that ultimately the consumer pays a fair price as well as the producer receiving one).

(8) We have no records of course, of re-sale by the wholesales or chain stores once our association has sold to them. We do get the impression sometimes from the information we do receive that perhaps due to fluctuations in the price of other competing commodities such as meat, the charges of the wholesaler on re-sale are insufficient, but



we also get the impression that at other times the re-sale price is considerably greater than required to meet the cost of handling. However, as previously indicated some of the variation in price reflects inadequate facilities on the part of the wholesalers or the retailers to economically handle the product before reaching the ultimate consumer.

(9) The experience of this co-operative as to the return paid to its members in relation to price paid by profit businesses in some species of fish shows fairly consistently over the years that the Co-operative fisherman has gained. In some other species the price paid by the co-operative may go below or may go above the prices paid by profit businesses, but two things stand out from our experience:

(a) The members now own a co-operative with substantial assets, and

(b) We are able to say with assurance that if there was no strong efficient co-operative owned by a large body of fisherman, all fishermen in the areas in which the co-operative now operates would get less for their products.

THE CHAIRMAN: Thank you. Mr. MacKichan is the informed member of the Commission on fisheries and I think we will let him lead the questions.

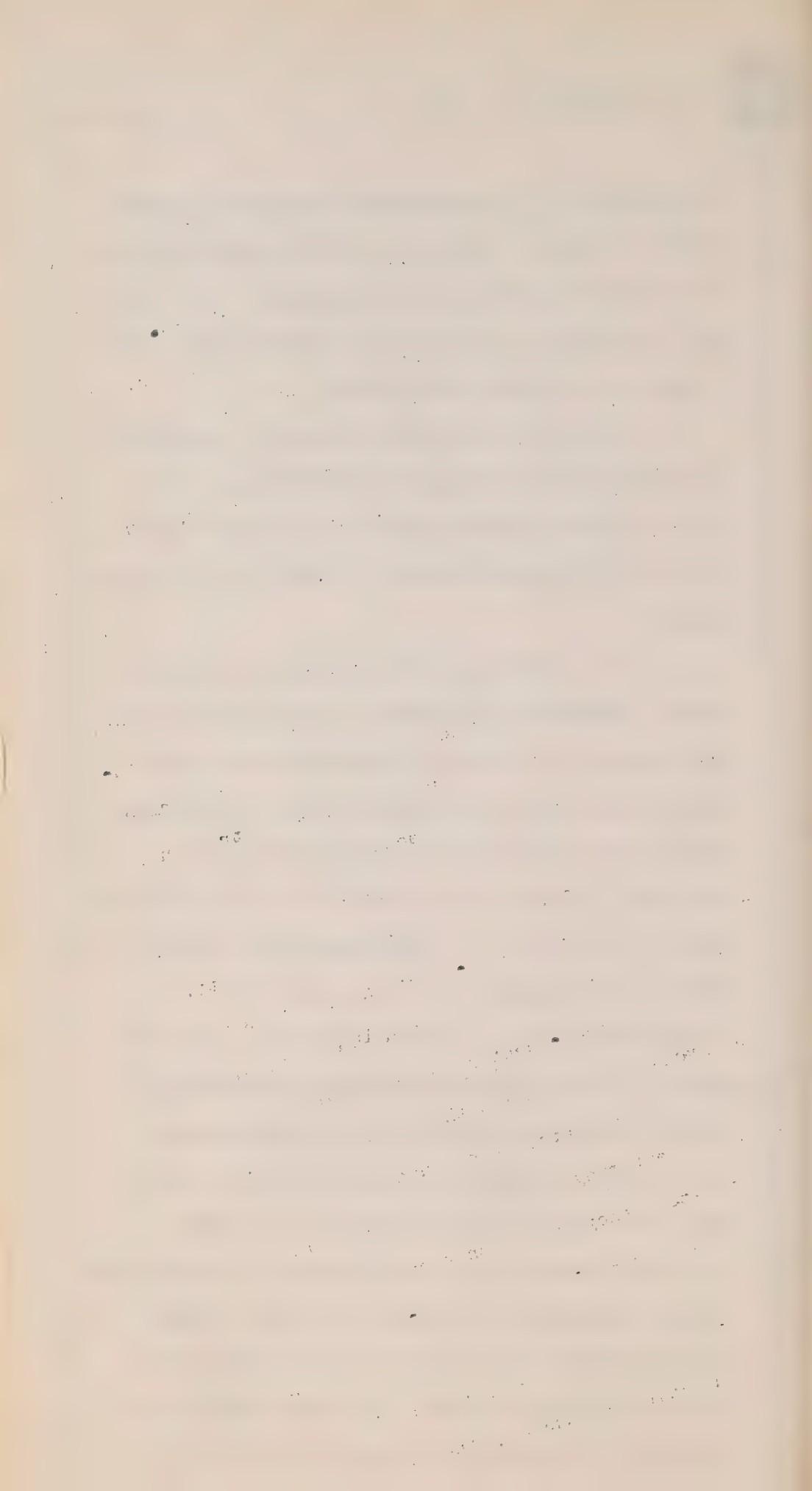
COMMISSIONER MacKICHAN: Mr. Chairman, I



appreciate fully as one general manager to another that Mr. Harding would like me to be clearly informed on some of the details of the business. It is the rest of the staff that know those things, but, however, I expect he will have the answers.

Now, at the bottom of page 2, paragraph 1, you mention that in halibut particularly you are quite a dominant factor, but in some other fish you are not so strongly organized. What is the situation there?

MR. HARDING: Well, I think Mr. Chairman, and Mr. MacKichan, to go back to the history of the fish industry in British Columbia there are various types of gear used in fishing. There is trawling, long lining, seining, gill netting and bing trawling. I think that would be the five different types of gear used. By nature trawling is pretty well a one-man game for the most part. It is a one-man boat that is involved, and also I think by nature in most independently minded fishermen it was the trawlers who started the co-op movement. They own their own boats. Long runners were the next, and a great many owned by the fishermen, to a great extent they are fishermen of Scandinavian origin, and quite co-operatively minded. Those are the two main groups making up the co-op. The seiners, for the most part, are larger boats, and the boats in the main are owned by the fishing





companies and not individual fishermen. The gill netters have small boats, but again they have been largely owned by the fishing companies, because of the financing of the boats and the gear that have been linked together, and it has been pretty much of a company operation. It is only in the last few years there has been a tendency for this to change.

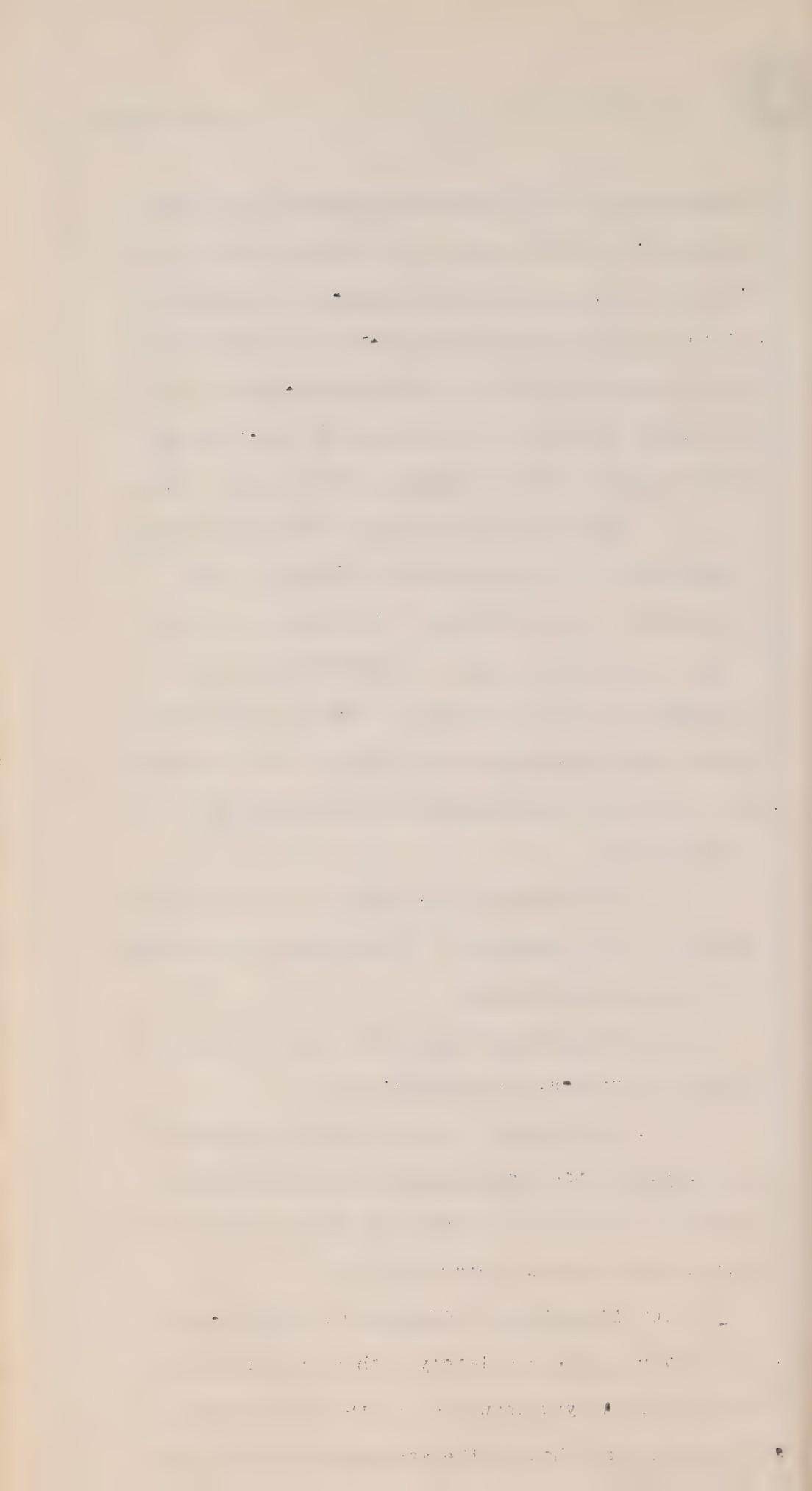
Three years ago we went into the herring operation for the first time in history. The Co-op own a reduction plant. Certainly it is the first on the West coast. We also tackled the problem of ownership of boats. We have three large boats which are owned partly by the Co-op and partly by the individual fisherman with the backing of the Credit Union.

I think those are the basic reasons why we are not in all branches. It is part of the history of it, and the financing.

COMMISSIONER MacKICHAN: You are into most of the branches, are you not?

MR. HARDING: We are now to a greater or less degree. In the trawling and long lining we are very well into it. In the gill netting and seining on a smaller basis, just starting.

COMMISSIONER MacKICHAN: Probably some of this may not come completely within the Terms of Reference. As you know you are the only organization we have had at the manufacturing level,





or what we might call the company level. You are the only one that we have heard from the West coast.

COMMISSIONER MacKICHAN: We are particularly interested, I think, in this next paragraph on page 2. In the presentations we have had from one of the provinces here, the company put it to us that one of the reasons there could not be higher prices for fish was that they had to supply boats and all the equipment to the fishermen, and we are interested in that fact that your fishermen are equipping their own boats, and doing their own financing to a considerable extent, and they are getting a greater measure of freedom, and independence. We do realize that it is different at your fishery. Your fishery is more remunerative in itself, but what is the reason that your fishermen have been able to acquire their own implements of production?

MR. HARDING: Well, they are a thrifty group. Of course, the majority of our fishermen are of Scandinavian origin. I think by nature they are thrifty.

They have, of course, developed their own credit union. Our co-operative started first, but the Trade Union came second, and developed very rapidly because the Co-operative Association in itself developed by channelling of final payments for our yearly fish settlements through the Credit Union. It was insisted that our members join the



Credit Union, but suggested they do so, and of course, the majority did. As a result, they have accumulated together a considerable sum of money which has been used in the financing of vessels and of gear for private individuals.

THE CHAIRMAN: May I just get this clear in my mind then. The funds used by the Credit union are mainly funds which come back to the fishermen from your operations in patronage dividends, finally get into the credit union, and from the Credit Union become a source of the purchase of their equipment.

MR. HARDING: That is correct. All our payments are made through the Credit Union.

THE CHAIRMAN: Indirectly the purchase is out of returns which you pay back to the Credit Union.

MR. HARDING: That is right.

COMMISSIONER MacKICHAN: Most of these, as Dr. Stewart, the Chairman, has indicated, has come directly through their earnings and through their savings besides.

MR. HARDING: That is right.

COMMISSIONER MacKICHAN: Rather than subscribe directly to the capital of the organization.

MR. HARDING: That is right. We, of course, also have, as mentioned here, each member is expected to subscribe to equity, which is a percentage deduction on the final settlement.

COMMISSIONER MacKICHAN: That was my next

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question.

MR. HARDING: 5 per cent deduction on the shared capital.

COMMISSIONER MacKICHAN: That is covered by your by-laws and their membership contract with you.

MR. HARDING: Yes.

COMMISSIONER MacKICHAN: Their application for membership.

MR. HARDING: Yes.

COMMISSIONER MacKICHAN: In one case that sort of compulsory saving is a good thing. Then at the bottom of that page you said your association requires a fisherman as he uses the services of the association. Now, there has been considerable success in that area in making the fishermen free from financial obligations to somebody who might not have had the same interest in their welfare as you have.

MR. HARDING: That is correct, yes.

THE CHAIRMAN: Is the fisherman, who has acquired his gear through the Credit Union, tied to the organization in any sense, or can he dispose of his product otherwise?

MR. HARDING: Well, a member in our Co-op is bound by the marketing contract which is the standard given in the Co-operative Association by the province of British Columbia. The Producer's Co-operative in B.C. has a marketing contract written into its rules so that when a fisherman or farmer joins a Producer's Co-operative in B.C. they are



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automatically bound by the marketing contract.

THE CHAIRMAN: For how long?

MR. HARDING: Well, in the case of the Farmer's Co-operatives it is as long as he is a member of the Co-operative. In the case of the fishermens' co-operatives, due to an amendment having been made to the Act, about five years ago, at the insistence of the fishing companies, any member of a fishermens' co-operative can give notice; so long as he gives notice by December 31st of this year, shall we say, he can be free from the obligations of the contract next year, but he has to give notice by that date.

That is not true of a Farmer's Co-operative, but it is of the Fishermen Co-operative.

THE CHAIRMAN: Under that contract, which is with your organization, supposing that he wished to withdraw from his contract under these terms, would the fact that his gear has been purchased on loan from the Credit Union reduce his capacity to withdraw from the contract.

MR. HARDING: I would not say so in the case of gear. Of course, the Trade Unions have to make sure that they are operating under proper arrangements as they ordinarily do in making a loan, to be sure the loan is reasonably safe and well covered.

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Mr. Harding

I do not think they would make any such requirements in the case of gear; that is he must deliver to the co-operative.

They do have an overall policy in the case of larger loans to finance fishing vessels. That is their amount of money is limited. They go on record as saying they will finance the boats that are going to fish co-operatively which, I think, is a natural situation.

COMMISSIONER MacKICHAN: You are not a party to this other arrangement?

MR. HARDING: That is entirely between the individual and the Trade Union.

COMMISSIONER MacKICHAN: And his Credit Union?

MR. HARDING: Yes, that is right.

COMMISSIONER MacKICHAN: Down at the middle of page 3 we are getting into marketing here. You are getting one step closer to the market than some of the regular co-operatives. You have your own organization in the United States for marketing there.

MR. HARDING: Yes. I may fill in a couple of blanks there, Mr. Chairman, by saying when we first started in the thirties, our association was just a pooling association which sold fish by auction to the local fishing companies in Prince Rupert or in that area.



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Mr. Harding

It was not until 1944 that we branched out into our own marketing and establishing the Fishermen's Co-operative Federation and then the Fishermen's Federation Incorporated; our Canadian and American sales agency.

These are wholly owned by ourselves and our sister organization in the United States, and our marketing agencies are comparable to any owned and operated say by the British Columbia Packers or Canadian Fishery Company.

They operate on the same basis. We have offices of our own in New York and Chicago with our own employees and we operate there.

COMMISSIONER MacKICHAN: Well, we unfortunately cannot follow this through to the consumer in the United States. Would you give us some indication of what you would have saved to the fishermen by going this further step into the marketing field.

MR. HARDING: Mr. Chairman, that is a difficult thing to give any answer to in figures. Going back, because of the very early beginning of the co-operative, you cannot always point to something that is fairly spectacular. That has happened in our case because when we started in 1934 the local companies did not think they could pay more than 4 cents a pound for Spring salmon, so the organization was formed. There was a boat took on a load of salmon to Seattle, and sold it by



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auction and after paying the expenses returned the following week and paid back 8 cents a pound, which was just double the price they had been paid previously.

Then, of course, they were paid 8 cents a pound by the local companies.

In 1941 when we went into the first venture in the processing of fish livers, halibut livers had been handled largely by one company, Parke-Davis for a number of years, and purchased it on the West coast. The price in 1939-1940 had been 50 cents a pound, and in 1941 there had been a slight decrease in the market for Vitamin "A", and they dropped the price to 30 cents.

Our fishermen in Prince Albert felt this was too great a decrease. They took over to go into the co-operative processing of fish livers. After getting the plant organized and handling the liver production from our members, in that year we paid back in our final settlement day 67 cents. We doubled the price that had been previously paid.

This was with no appreciable increase in the market for Vitamin "A". There was a slight increase there that winter, but not to any great extent. So, of course, that helped a good deal in establishing our organization.

Now, that is from the time we went into our own marketing, and it is difficult to give facts and figures. I know we made an analysis from the



years -- I think I am correct in saying this -- 1948 to 1953, a five-year period, and we estimated that during that period, compared to the prices paid comparatively by fishing companies that our return was from 10 to 15 per cent better over say the five-year period.

COMMISSIONER MacKICHAN: Unfortunately we were not able to carry that through to the consumer, but under the system under which you were working you could say it did result in more income to the fishermen undoubtedly.

Now, that covers the only thing I had on that page. We have another product up here at the beginning of page 4 that we have heard something about. We have heard something about it from the consumer's scene in British Columbia. That is the price of canned salmon. I have forgotten whether that is just where the expression "all the traffic will bear" came up, but I am inclined to think it was. You will market canned salmon?

MR. HARDING: We do on a very small basis because of the nature of the fishery in British Columbia where sockeye is caught primarily by gill netters, and some by seiners and pink salmon is caught by seiners and some by gill netters. These are the principle canned fish. We are not a significant factor. Our canned pack that we sell is about 40,000 cases a year, which is quite small.



COMMISSIONER MacKICHAN: Do you have that on contract?

MR. HARDING: Yes. We don't own a cannery of our own. We have the fish canned on contract by two privately-owned canneries. We feel the rates we are able to get are good as far as the cost of canning is concerned.

COMMISSIONER MacKICHAN: Do you import Japencse salmon?

MR. HARDING: Yes, because we had to keep the label on the market, and we did not have the volume of production. A contributing factor to this is the organization mentioned in another part of the brief that went out of existence. That is the Fisherman's Co-operative Association of Vancouver which had been a larger producer of gill net fish than was our organization. With them going out of the picture we have had to handle other people's salmon. We have for two or three years sold a fair amount of fish for some of the smaller companies, that is canned salmon.

COMMISSIONER MacKICHAN: Your sales connections were better?

MR. HARDING: That is right.

THE CHAIRMAN: On these two points, I believe that one of the matters on which comment was made with regard to canned salmon, was that the price in Vancouver was the same as the price in



Toronto for B.C. canned salmon. In your experience has that been so?

MR. HARDING: I think that would be correct from what I have seen of advertisements in the papers.

THE CHAIRMAN: Do you sell in both markets?

MR. HARDING: Yes, we do.

THE CHAIRMAN: Do you feel able to explain this phenomenon?

MR. HARDING: No, I am sorry, I don't think I can. I think it is more a technical matter for some of our sales staff to explain. As we have said we are quite prepared for any of your staff to talk it over with any members of our staff. Mr. Williamson in Vancouver is the man on our staff who handles that.

THE CHAIRMAN: This question of imported salmon was also raised with regard to the Coast. It is pretty hard to detect in the can that this was imported salmon. Have you any comment to make on that.

MR. HARDING: That is correct. It is pretty difficult. Some people claim they can. I can't.

COMMISSIONER MacKICHAN: It is like the small print!

MR. HARDING: Some people claim they can. I wouldn't want to.

COMMISSIONER MacKICHAN: Like the small print.



I think there is one thing we have to say that it came within the Fish Canned Food Act, even if it were small some of it.

MR. HARDING: Yes, that is right.

COMMISSIONER MacKICHAN: It wasn't very conspicuous, but I guess it was legal, whether small or not.

MR. HARDING: I don't think anybody in the industry was happy about doing it, Mr. Chairman, least of all our own association, but the fact remained that the fish would have come into the country anyway.

THE CHAIRMAN: There was an acute shortage at the time?

MR. HARDING: A great shortage due to fluctuation in runs of salmon.

COMMISSIONER MacKICHAN: The next question, You can just answer it or not, just as you wish. Was there a bigger margin in handling that Japanese product, or did it compare reasonably with your own product?

MR. HARDING: As I recall, Mr. Chairman, the margin on it at least during the period that we have handled it, and we did not come into the field until probably a year after the others had, the margin has not been too much.

It has been just a break -- even point. However, we must have a fair example, because of



the volume that we purchased, it was small. I would believe that if you were able to purchase larger quantities, possibly might be important margins.

COMMISSIONER MacKICHAN: It is possible that our Japenese friends were also working on the maxim that all the traffic would bear was a fair price.

MR. HARDING: That is right. A fair done in the industry.

COMMISSIONER MacKICHAN: Now we are getting down further with the marketing, do you feel that the small volume of fish that the average fish market handles, in comparison probably with beef and other products is somewhat responsible for the larger mark-up that seems to prevail at the retail level?

MR. HARDING: Yes, I would feel that personally, Mr. Chairman. I think that there is also, at least in handling of fresh fish, and possibly frozen in some cases, a fair amount of waste due to quality. Fish has to be thrown out.

COMMISSIONER MacKICHAN: I am speaking of fresh particularly, just at the moment.

MR. HARDING: Yes, it leads to a higher market, so it is very essential that there be tight quality control program by the Government. Our Association has supported that many times.

COMMISSIONER MacKICHAN: I don't think there



is any question but that is ,coming in.

: COMMISSIONER WALTON: Do you do any of the freezing, as a co-operative, I mean, outside of the contract for salmon?

MR. HARDING: Yes, we have a large cold storage operation. We 8 to 10 million pounds of fish a year, and we also put up package fish, steaks and fillets.

COMMISSIONER MacKICHAN: There would be, as you know, there is a problem of having a variety in these fish stores. I think you mentioned that over on a further page, that if you are going to run a successful fish market, you have got to have almost east coast fish and west coast fish, and a whole variety?

MR. HARDING: That is right.

COMMISSIONER MacKICHAN: And then the difficulty in moving it long distances, unless it can be moved in carload lots. That is more or less a problem?

MR. HARDING: That is right.

COMMISSIONER MacKICHAN: In paragraph (b) on the same page, you speak of co-operative consumer and producer, but in the fifth line you say we have failed to develop the techniques and machinery to co-operatively handle the marketing of his products substantially beyond the point of the wholesaler.

Now that "we", do you mean --



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Mr. Harding

MR. HARDING: The Association.

COMMISSIONER MacKICHAN: -- the fishery
or yourself?

MR. HARDING: The Federation and the
Prince Rupert Co-operative is synonymous.

COMMISSIONER MacKICHAN: I wondered if
you took in a larger areas than the Co-operative
conscience as a whole?

MR. HARDING: No.

COMMISSIONER MacKICHAN: It would be
quite a task?

MR. HARDING: We appreciate that, yes.

THE CHAIRMAN: Is it true that other fishermen
co-operatives have been able to extend their activities
beyond the wholesalers? Is this a generalization?

MR. HARDING: No. Mr. MacKichan knows
that as well as I do, or better. I don't think in
your own organization you have?

MR. MacKICHAN: No, we haven't.

MR. HARDING: The Quebec United Fishermen
I believe have done a little bit in the City of
Montreal, but in that one city only.

THE CHAIRMAN: Is there an obvious explanation
for this, or difficult to know?

MR. HARDING: Well I think it is always
of course the relationship you get when you are
marketing a product. Unless you have sufficient



capital to go that far, if you are going to go into it in a small basis, you are competing with some of your own customers, so it is a dangerous step to take, unless you can go the whole way.

COMMISSIONER DRUMMOND: If you want beyond the wholesaler it means going to retailing?

MR. HARDING: That is right.

COMMISSIONER MacKICHAN: That would mean going in the retailing in a great many places, would it not, which in turn would mean tremendous capital investment?

MR. HARDING: Yes, of course there is a tendency of late years in Toronto certainly and perhaps Montreal as well for some of the larger fish companies to by-pass the wholesalers and to deal directly with the chain stores.

We haven't done that to too great an extent as yet, again because we don't have the rounded out variety of fish products as yet. Taking British Columbia of course for example, the large company in the West coast who have under their label, they have not only West coast fish, but East coast fish, so they are able to supply to chain stores all these varieties under the one brand name. We can only supply under our brand name those of the West coast with a hope that some day we might be able to have East coast as well, but we haven't progressed that far.



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Mr. Harding

COMMISSIONER DRUMMOND: What importance do you attach to your brand name, by the way?

MR. HARDING: We feel it is very important, but it is an expensive thing to keep up. You have to keep volume all the time, and you have to of course keep quality, but it is exceedingly important in the modern market today. You find in the United States, for example, it is not perhaps so important in New York which carries on a more traditional type of market where fresh is very important, and you have a lot of hotel and restaurant trade people. People seem to eat out more, shall we say in that city than other places, and so that you sell a lot of fish in bulk way, but in the California area, which is a very large market, it is almost all packaged goods because people have so many packaged goods that the housewife likes to have it already prepared. So you find these various markets are different.

COMMISSIONER WALTON: The fresh fish market is largely the American, that is where the bulk of your fresh fish is shipped?

MR. HARDING: There is some in Canada, Montreal and Toronto, but in the United States, New York is certainly the traditional fresh market.

COMMISSIONER KIDD: Do you sell in New York?



MR. HARDING: Yes, we have our own office in the Fulton Fish Market.

COMMISSIONER MacKICHAN: I think that covers pretty nearly all the questions I have. On the last page, page 6, I think where you mention cases, some words I have here underlined, you mention because you had shown substantially greater returns to fishermen than were being paid in the area. Now you say that cannot always happen. Would you just care to enlarge a bit on that? That is my last question.

MR. HARDING: Sorry, I don't quite get your point Mr. MacKichan.

COMMISSIONER MacKICHAN: You state in some species you have shown a profit over the years that the co-operative fisherman has gained. In some other species the price paid by the co-operative may go below or may go above prices paid by profit businesses.

MR. HARDING: Well, that is of course in the ordinary course of events. By our rules we are required to return on different species what it sells for less expenses, and some adjustments, overhead adjustments in certain species, but by and large that is it, so of course we will come up with returns on certain species which will be below competitive prices; others above. I guess because of the rules of our Association, we cannot do too much.



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COMMISSIONER MacKICHAN: In other words, you are not doing any gambling and you are passing on actual sales returns, results of sales to the fishermen?

MR. HARDING: Yes. In the words of one of our regional members, we don't resort to just plain juggling. That just isn't done.

COMMISSIONER MacKICHAN: I think that covers the question I have in mind Mr. Chairman.

COMMISSIONER COUVRETTE: How much of your production do you export out of Canada?

MR. HARDING: In average years it is from 40 to 50 per cent, and the great majority of that to the United States. We export some mild cured salmon to Europe, I would say about 5 per cent of our total production goes to Europe, or other markets apart from the United States.

COMMISSIONER KIDD: Just to build up more on what you have already told us about the sale of your product, on the first page you say the most important of which is halibut, and you have already told us that proportion that is sold, the proportion of your total is sold abroad. Can you tell me something more about your markets, are they scattered all over the United States?

MR. HARDING: We operate from the two principal centres, New York and Chicago where we have offices, and New York is traditional.



It has sold pretty well in the New York area. The wholesalers all have office there, and sell directly there.

COMMISSIONER KIDD: Is this fresh fish?

MR. HARDING: Both fresh and frozen, predominantly frozen. In Chicago our men there travel a good deal. They cover a large area. They will go down as far as New Orleans and will go west almost as far as Texas.

COMMISSIONER KIDD: You are getting the fresh product all the way from Prince Rupert to New York?

MR. HARDING: The trend is more and more away from fresh to frozen.

COMMISSIONER KIDD: What proportion of the product is halibut and what salmon?

MR. HARDING: In our association last year out of 12 million pounds we have 5 million pounds of halibut and we had about 4 million pounds of salmon.

COMMISSIONER KIDD: How is the salmon sold?

MR. HARDING: Fresh frozen and mild cured and some canned. There is quite a large amount of mild cured. Actually that is slightly salted.

COMMISSIONER KIDD: Where is that sold?

MR. HARDING: In New York and Europe.

It is very popular with the Jewish trade in New York.



It is smoked and sold under the name Loux.

COMMISSIONER KIDD: You get a little bit in Toronto once in a while.

MR. HARDING: It is a luxury product.

COMMISSIONER KIDD: On page 2 at the bottom of your third section -- no doubt this is old stuff to you and Mr. MacKichan -- you say: "The Association requires a fisherman, as he uses the services of the Association, to build up his equity in share capital and generally the amount of his equity reflects the use he makes of its plant and facilities." Would you explain that?

MR. HARDING: I think that is explained by the fact if a man produces fish for the organization he will receive payment and 5 per cent of the total payment is retained in the form of share capital. He will build up an equity if he makes use of the plant and facilities.

COMMISSIONER KIDD: He could have share capital in the Co-op and then have an investment in the Credit Union?

MR. HARDING: That is right. He is required to have 5 per cent from the 7 going into share capital.

COMMISSIONER KIDD: At page 4, Section (a) you say: "Compared with the handling of meat products the handling of fish and marketing lags behind. If, because of lack of facilities a retailer



must throw away part of the fish as unsalable, obviously the amount of mark-up which he must charge on the balance will be proportionately increased, including a charge for calculated risk." Are there any other reasons why a retailer would lose out, so to speak, other than spoilage?

MR. HARDING: I think that spoilage is mainly the reason. In so many cases, of course, the fish is not handled in the proper way, or the retailer perhaps does not like to mix the fish in so he may not take the same care of it. There is a certain feeling against fish in some quarters. Of course, some of the older cold storages in Toronto and Montreal have been very poor cold storages from the point of view of insuring good quality. That has been the case.

COMMISSIONER KIDD: You say that the retailer takes more of that risk in the mark-up that he makes on the product or the mark-up that he sets on the product?

MR. HARDING: Yes, we feel that has to be done because of the amount of fish we have had to throw away. I think Mr. MacKichan is acquainted with that. The retail stores feel as a matter of course they have to throw away a quarter or a half of the fish.

COMMISSIONER KIDD: That is in the spread of the price.



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MR. HARDING: There has not been the same Government controlled quality as in the case of meat. It is a much more difficult thing to institute than is recognized.

COMMISSIONER KIDD: You mention meat. You say the marketing of fish lags behind. Any other reasons beside the one you mentioned that it should lag behind?

MR. HARDING: No, I think it is a question of quality.

COMMISSIONER KIDD: I was wondering about advertising. We have heard a good deal about advertising pro and con. I was wondering what the comment would be on that.

MR. HARDING: There is a very ambitious program for advertising on canned salmon, as you know, from fishermen of British Columbia. We contribute to the program proportionately to the pack.

COMMISSIONER KIDD: When the Federal Government does some advertising do you people contribute to that in any way?

MR. HARDING: Not when it is done by the Government, no.

COMMISSIONER KIDD: Down at the bottom, I think, you say that the charges of the wholesaler and retailer are insufficient sometimes, but at other times you get the impression the resale price is considerably greater than required to meet the



cost of handling. How do you account for that?

MR. HARDING: Well, I think you can appreciate that the particulars we are talking about here, we do not have too much knowledge of. We are just giving observations from what we have heard. We have had no direct experience. That is normal, I guess, in business.

COMMISSIONER KIDD: What happens? From where you start, what happens to the price of the product in years of plenty and years of scarcity? Do you vary your price?

MR. HARDING: Well, the law of supply and demand works quite well.

COMMISSIONER KIDD: I was just wondering about some of your local markets out in British Columbia. I am not quite clear about it. I am just wondering if canned salmon for example, held off the market in years of abundance, stored, and then sold in years when the catch is relatively small.

MR. HARDING: Well, canned salmon, of course, is a quality goods. Over an extended period of time, in fact, it is better after it has been in the can for a year. It is better if it is a year old, so that there is a tendency, if financing will permit it, -- if there is a large run of salmon in one year to withhold some to the next year if the next year is going to be a small run.



This has been done in the past. I do not say it has always been done. It is certainly dependent on financing. If there is a squeeze on financing, if the banks or trade unions are doing the financing of vessels, and they put a squeeze on, it would not be done.

COMMISSIONER KIDD: Storage, of course, is a charge.

MR. HARDING: That is right.

COMMISSIONER KIDD: You see, I am not clear as to what happens to the price at the wholesaler's level in years of abundance and years of scarcity. If the producer holds it off the market in certain years, you would tend to have more of a level price.

MR. HARDING: Yes, that would be correct. I do not say it is done to any great extent.

COMMISSIONER KIDD: So your assumption would be -- or am I putting words in your mouth -- that the wholesaler could do some withholding, depending on storage costs?

MR. HARDING: Well, canned salmon is sold there by the producer through brokers. I do not know that a wholesaler would ever stock very big quantities of it.

COMMISSIONER KIDD: My friend, Mr. Couvrette, here is getting a laugh out of this. I am sure he has the answer to this final question.

MR. HARDING: He probably has better answers



than I have. Of course, on the frozen fish, you cannot hold it up to any extent because of the quality.

COMMISSIONER COUVRETTE: Certainly would it not be one of those cases where they would expect profits because they are already over there?

MR. HARDING: That is quite right.

THE CHAIRMAN: May I follow that up?

COMMISSIONER KIDD: Yes.

THE CHAIRMAN: I am not clear as to whether it is possible to anticipate the run of salmon from year to year. One of the questions that came up when we were in Vancouver had to do with the negotiations with regard to wages and related matters --

MR. HARDING: The price of fish.

THE CHAIRMAN: Which apparently occurs just before the fishing season starts?

MR. HARDING: Yes.

THE CHAIRMAN: What would your answer be to the question; how accurate you can anticipate what kind of season you are going to have?

MR. HARDING: Well, I would say this: That the biologists who have made quite a study of this, can forecast much more accurately than they could say ten years ago, but still there is much left to be desired. They are much more accurate in their forecasts than they used to be.

THE CHAIRMAN: Can this be anticipated say



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12 months ahead?

MR. HARDING: Yes. Well, on the Adams River run of salmon they can be forecast four years ahead.

THE CHAIRMAN: So that if you have a big catch of fish one year, it is not too difficult to market those in an orderly fashion because you know pretty well what the catch will be next year.

MR. HARDING: Yes. That is true of one particular run, say the Adams River run. There are many other runs which may not be possible to forecast.

THE CHAIRMAN: That is only one of the factors.

MR. HARDING: That is only one, but that is a very big one. That is very exceptional.

COMMISSIONER KIDD: There is just one final question I have. Are the wages paid to the fishermen in Prince Rupert similar to the wages paid elsewhere on the Pacific coast?

MR. HARDING: There are no wages paid to the fishermen on the West coast. It is only the price of fish. You are thinking of the negotiations between the U.F.A.W.U. and the companies. That is for a minimum price for fish. It is not for wages.

Of course, we are not involved in that in our association because being a co-operative, we market our own fish so we are not involved -- although, of course, being a small town in the



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pond we have to take note of what goes on and we do always have certain discussions about the situation.

But the minimum price agreement, negotiated between the union and the companies, is a different way of doing business than is our own. Naturally our fishermen started the co-operative because they did not want to do business that way.

COMMISSIONER COUVRETTE: You do advertising of your own brands, do you?

MR. HARDING: To a small extent, but naturally being a small producer we cannot afford too much.

COMMISSIONER COUVRETTE: How much would you apply in sales volume for advertising?

MR. HARDING: Well, we contribute to the tinned canned salmon advertising program which is a proportionate allocation over the entire pack. Everybody contributes percentagewise. We contribute to that. That is a "no-name program", "no brand", just canned salmon.

COMMISSIONER MacKICHAN: British Columbia salmon?

MR. HARDING: Yes.

COMMISSIONER COUVRETTE: Do you also advertise your own brand?

MR. HARDING: Not to any great extent. On our frozen brand we do a small amount of advertising, nothing very significant.



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Mr. Harding

COMMISSIONER COUVRETTE: Would you be in a position to say what the effect was of advertising?

MR. HARDING: I would say it was significant if you have a fair year's volume of pack and a consistent volume and enough variety, sufficient variety.

COMMISSIONER COUVRETTE: It gives results.

MR. HARDING: Yes, it would be good.

COMMISSIONER COUVRETTE: Would you say that is an advantage to the producer, that advertising is a good thing?

MR. HARDING: I would wish these qualifications as stated. If you have a consistent volume and sufficient variety.

COMMISSIONER COUVRETTE: In other words once your own brand is in the retail store, if advertising is being done for the brand, how do you feel about it?

MR. HARDING: Yes, I think it is a good way.

COMMISSIONER COUVRETTE: Would you be inclined to blame such advertising as part of the spread and claim that your share is not what it should be as a producer on account of that particular type of spread?

MR. HARDING: Well, they would have to be paid for somewhere, would they not?

COMMISSIONER COUVRETTE: I am asking you as a producer.

MR. HARDING: It has to be paid for at some

1920-1921 - 1922-1923 - 1923-1924 - 1924-1925

1925-1926 - 1926-1927 - 1927-1928 - 1928-1929

1929-1930 - 1930-1931 - 1931-1932 - 1932-1933

1933-1934 - 1934-1935 - 1935-1936 - 1936-1937

1937-1938 - 1938-1939 - 1939-1940 - 1940-1941

1941-1942 - 1942-1943 - 1943-1944 - 1944-1945

1945-1946 - 1946-1947 - 1947-1948 - 1948-1949

1949-1950 - 1950-1951 - 1951-1952 - 1952-1953

1953-1954 - 1954-1955 - 1955-1956 - 1956-1957

1957-1958 - 1958-1959 - 1959-1960 - 1960-1961

1961-1962 - 1962-1963 - 1963-1964 - 1964-1965

1965-1966 - 1966-1967 - 1967-1968 - 1968-1969

1969-1970 - 1970-1971 - 1971-1972 - 1972-1973

1973-1974 - 1974-1975 - 1975-1976 - 1976-1977

1977-1978 - 1978-1979 - 1979-1980 - 1980-1981

1981-1982 - 1982-1983 - 1983-1984 - 1984-1985

1985-1986 - 1986-1987 - 1987-1988 - 1988-1989

1989-1990 - 1990-1991 - 1991-1992 - 1992-1993

1993-1994 - 1994-1995 - 1995-1996 - 1996-1997

1997-1998 - 1998-1999 - 1999-2000 - 2000-2001

2001-2002 - 2002-2003 - 2003-2004 - 2004-2005

2005-2006 - 2006-2007 - 2007-2008 - 2008-2009

2009-2010 - 2010-2011 - 2011-2012 - 2012-2013

2013-2014 - 2014-2015 - 2015-2016 - 2016-2017

2017-2018 - 2018-2019 - 2019-2020 - 2020-2021

2021-2022 - 2022-2023 - 2023-2024 - 2024-2025

2025-2026 - 2026-2027 - 2027-2028 - 2028-2029

2029-2030 - 2030-2031 - 2031-2032 - 2032-2033

2033-2034 - 2034-2035 - 2035-2036 - 2036-2037

2037-2038 - 2038-2039 - 2039-2040 - 2040-2041



level.

COMMISSIONER COUVRETTE: You do not dislike advertising when they do it for your brand.

MR. HARDING: No, we make certain allowances for some salesmen.

COMMISSIONER DRUMMOND: On the bottom of page 3, number 6, you state there that your organization carries the marketing process mainly to the point of selling to the large wholesale dealer. First how do you do this carrying act? I mean how do you establish contact with the large wholesale dealer?

MR. HARDING: Well, by setting up our own offices to do that.

COMMISSIONER DRUMMOND: Entirely?

MR. HARDING: That is right.

COMMISSIONER DRUMMOND: You do not have to operate through independent brokers or anything like that?

MR. HARDING: We do in Los Angeles. We use a broker there but in all other places we have our own offices with our own employees.

COMMISSIONER DRUMMOND: In the section just over the page you mention you operate in the States through the F.F.I. Just precisely what is the S.S.I.

MR. HARDING: The F.F.I. is a company incorporated under the laws of the State of Delaware, 51 per cent of the stock being owned by the Prince



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Mr. Harding

Rupert Fisherman's Co-operative and 45 per cent being owned by the Halibut Fisherman's group at Seattle, which is a subsidiary company.

Mr. Sorensen is sales manager of our organization. He is the manager of F.F.I. I am the president of it, and the manager of the Seattle Co-operative is the secretary.

COMMISSIONER DRUMMOND: Again at the centre of page 4 which has been referred to before, you make this it seems to me very significant statement, you say that real progress has been made in establishing efficiency of plant facilities and operation which have resulted in better quality production of unit costs, then you say that similar development has not taken place in the distribution. Now is there something distinctive about this commodity fish that accounts for that lack of progress? Would you say first perhaps that there has not been as good a development in the distribution of fish as there has been of say meat or some competitive product or other food products?

MR. HARDING: Well if you feel that the standardization of quality control has a great deal to do with sales of meat? We haven't been able to establish that as yet with fish.

COMMISSIONER DRUMMOND: That is what I was wondering.

MR. HARDING: That is our feeling based on



quality, standardization of products.

COMMISSIONER DRUMMOND: And you go down here to F on the same page, you say we have failed to develop the techniques of machinery to handle these marketing products substantially beyond the point of the wholesalers. Techniques and machinery, I suppose we have already covered this, does that mean you feel that you have not developed a workable set-up arrangement, or does that mean that we have not been able to find a way of financing it, or does that mean that the time just has not arrived?

MR. HARDING: I think you would be correct in that Mr. Chairman. The time has not arrived for it as far as our organization is concerned.

COMMISSIONER DRUMMOND: Well it seems to me that in the middle of page 5 you make a very very interesting statement, and may be a very important one, you used the word "theoretically" and maybe that is the thing to do. Maybe you have got to dream about these things before they are possible of realization for a time, but it is suggested arrangement that you outline there, it is a grandiose plan, but if there is any possibility of realizing it even in the reasonably early future, might suggest real degree of improvement, real possibility of narrowing this spread.

MR. HARDING: If I might say, Mr. Chairman, this is based on a long standing belief by the members



of our organization that this was felt that producers co-operatives and consumer co-operatives work very closely together. That is fundamental in your organization.

COMMISSIONER DRUMMOND: The only other thing I am asking is, perhaps you have done this elsewhere, but I would like to get a little clearer picture as to the order in which you have developed your own organization, the steps you have taken, perhaps the reasons for each if you would do that very briefly.

MR. HARDING: I think as I stated we started as a collecting organization on a local basis to just bargain more effectively with the local buyers, but we found before long that this was not too effective because there was always a limit to where you could get, and not having the facilities to handle our own fish, you were entirely at the mercy of them saying no we won't pay more, so it became essential to own our own facilities where we could handle our fish, and to store it, and to hold it back if we found that situation existing in the market and in other words to go into more orderly marketing and that was the reason we established our own plants and our own facilities. I think stating it briefly that is it.

COMMISSIONER DRUMMOND: I think that is all.



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Mr. Harding

THE CHAIRMAN: You have been very generous and helpful in your answers Mr. Harding, and we are grateful to you. We won't detain you any longer.

MR. HARDING: Thank you Dr. Stewart. I think I wrote even before this brief was prepared, I wrote to Mr. Dawson and I stated that we would be very happy and quite willing at all times to make our records open to you.

We have a very full and complete record of prices received in Toronto, Montreal, New York, Chicago and if it is of any assistance to you, and you want to send a member of your staff to Prince Rupert, we certainly would be happy to have that.

THE CHAIRMAN: Thank you. This is not a commitment, but our thinking at the moment is Mr. Rutherford who is our Director of Research is a member of the staff of the Department of Fisheries as you know, and our thinking at the moment is we may ask him to go back to the Coast some time and pick up some things we have not been able to get.

We appreciate that invitation. Thank you.

MR. HARDING: Thank you.

THE CHAIRMAN: We will now adjourn until 10 o'clock tomorrow morning when we open in the Legislative Building.



ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

M. G. C. Waller

HEARINGS

HELD AT

REGINA
SASK.

VOLUME No.:

DATE:

9

APR 30 1956

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ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Com-
mission on Price Spreads of Food
Products commencing at 10.00 a.m.,
Tuesday, April 22nd, 1958, at
Regina, Sask.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron



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APPEARANCES:

Page

SASKATCHEWAN FARMERS UNION 1383

Mr. A. P. Gleave, President
Mr. Stuart A. Thiessen, Secretary Treasurer

SASKATCHEWAN FEDERATION OF LABOUR 1468
(Canadian Labour Congress)

Mrs. Gertrude Kilroy,
Regina Labour Council Executive Member
Mr. Ivan Moore, Secretary-Treasurer

SASKATCHEEAN POULTRY ASSOCIATION 1478

Mr. J. H. Harrison, Member
Mr. E. M. Campbell, Secretary

CO-OPERATIVE UNION OF SASKATCHEWAN 1497

Mr. William Hamilton, Executive-Secretary

FEDERATED CO-OPERATIVES LIMITED 1497

Mr. H. L. Fowler, Secretary



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SUBMISSION OF
SASKATCHEWAN FARMERS UNION

THE CHAIRMAN: If you will come to order we will open the proceedings this morning. Before calling on the submission of the Saskatchewan Farmers Union we had thought that we would re-read our Terms of Reference and perhaps comment on the limitations of our terms. However, I notice the Press is not here yet and as in part we were doing this for the purposes of the press perhaps we can leave that until after the brief of the Farmers Union has been received.

We have with us, I think, Mr. Gleave, the President, and Mr. Thiesson, the Secretary-Treasurer, and I am not sure who is going to read the brief but whoever it is if you would like to proceed now.

MR. GLEAVE: Mr. Thiesson will present the brief.

THE CHAIRMAN: Thank you, Mr. Gleave.

MR. THEISSON: The Saskatchewan Farmers Union welcomes the opportunity of contributing to this Commission the views of the organized farm movement on the subject of price spreads on food products.

The SFU is a voluntary membership organization representing more than ten thousand Saskatchewan farm families. While the interests of our union are entirely non-political, non-racial and non-

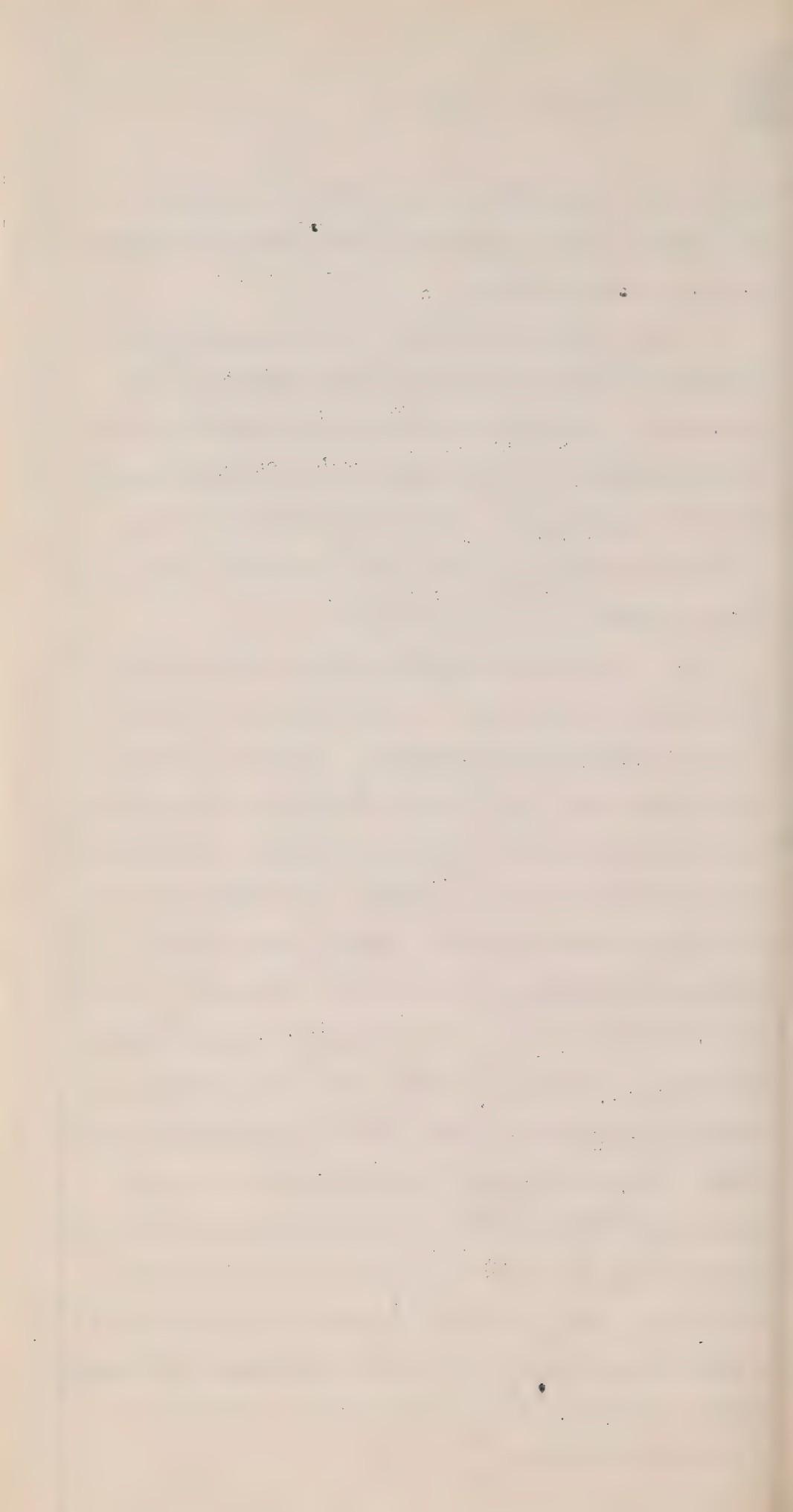


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sectarian, it is dedicated to improve the welfare of agriculture generally and does place particular emphasis on the family-size farm.

The primary producer of food products has a profound interest in the subject this commission is studying. We venture to say that the underlying reason for the existence of the commission stems directly from the declining economic position of the agricultural industry at a time when the general economic level of the nation exceeds all previous records.

One of the greatest assets of any nation in providing its people with a high standard of living is a healthy agricultural industry. Since its earliest days of settlement, the farmer has played a vital role in the culture and economy of our country. The people of Canada owe much to the farmer. He opened the land and fed a growing population through peace and war. He supplied through his children virile and useful citizens, many of whom have come to the cities and helped further develop our expanding economy. He is now caught in a period of adjustment brought about by rapid industrialization. In this changeover, manpower has, to a large degree, been displaced by the machine, and increased farm mechanization has been associated with an increase in farm size. This widespread dislocation has amounted to a major agricultural revolution and broadened the concept of the family farm from one of a way of life to that of a business enterprise.





Associated with this change in the face of agriculture are some very real problems, both social and economic. The general pattern of settlement first established after the turn of the century has been largely altered. The extent to which this disruption has taken place is quite amazing when one considers that in many other parts of the world, and indeed to a lesser extent in our own country, the pattern of settlement has not changed too greatly in several centuries.

Farm population declined by more than 200,000 persons in Saskatchewan in the twenty-five year period 1931 to 1956. This decline was greatest in the ten-year period 1941 to 1951 when a drop in farm population of 22.4% was experienced. While this decline has been part of a national and indeed an international trend, it is significant that the loss of farm population in Saskatchewan of 9.2% in the period from 1951 to 1956 was well above the national average of 5.7%.

Table 1 illustrates the general change in the size and mechanization of Saskatchewan farms over the past twenty-five years.

Table I

Population, Number and Size of Farms, Number of Farm Machines

Saskatchewan 1931 - 1956

	1931	1941	1951	1956
Population	564,012	514,677	399,473	362,231
Number of Farms	136,472	138,713	112,018	103,391
Average Size of Farms				
(Improved)	245	256	346	391
(Unimproved)	400	432	540	607
Machinery				
Motor Trucks	10,938	21,285	52,626	74,498
Tractors	43,308	54,129	106,664	121,388
Grain Combines	6,019	11,202	42,997	61,861
Gasoline Engines	38,549	33,882	55,763	100,732

Source: Census of Agriculture - Saskatchewan - 1956

While the concept of agriculture has changed

to one of greater production efficiency through more economic use of human and capital resources, the end result has not necessarily brought a greater return on capital investment to the producer. It could possibly be argued that one of the greatest single factors affecting farm income is controlled by the weather. Conditions of drought, plant diseases, insect pests, hail and rainfall, are all factors which have an important bearing on farm income.

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We believe an indicator of return on capital investment to the producer must consider physical volume of production. In this regard, Table II compares the return on capital investment in 1951 and 1956 when the indexes for physical volume of production stood at 218.1 and 238.0 respectively.

Although the capital investment in 1956 was greater than in 1951, the percentage capital investment return on the basis of farm cash income in 1956 was less than the capital investment return on farm net income in 1951.

Allowing a return of 5% on capital investment in each of these two years, the net return on labour to the farmer and his family in 1951 was \$3,817, but only \$2,459 in 1956, a decline of 35.6%.

Table II

- - - - -

Average Farm Capital Investment and Return on Investment

Saskatchewan 1951 - 1956

Item	1951	1956
Acres per Farm (including unimproved)	550	607
Value per Acre	\$28	\$32
Average Land Investment per Farm	\$15,400	\$19,424
Implement Investment per Farm	4,685	4,977
Stock Investment per Farm	2,449	2,009
Total Investment per Farm	\$22,534	\$26,410

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Table II, contd.

	1951	
Average Farm Cash Income per Farm	\$5,633	\$5,712
Capital Return per Dollar Invested	\$.249	\$.216
Average Farm Net Income per Farm	\$4,943	\$3,779
Capital Return per Dollar Invested	\$.219	\$.143

Sources: Canada Year Book; Saskatchewan Census of Agriculture 1956;

DBS Memoranda - Farm Net Income; Farm Land Values 1955; Farm Implement and Equipment Sales - 1956; Report of Saskatchewan Department of Agriculture 1957.

A particularly pertinent aspect of the preceding table lies in the margins between farm cash and farm net income for each of the years 1951 and 1956. It will be noted that the margin between cash and net income per average farm increased from \$690 in 1951 to \$1,933 in 1956. This condition vividly illustrates the combined effect of falling farm prices and rising farm costs that have plagued farmers in recent years.

Chart 1 illustrates the widening disparity that has developed between farm costs and farm prices, contributing to what is commonly referred to as the "cost price squeeze".

---(See Exhibit No. 30 for Chart No. 1

In studying the effects of the "cost price squeeze" on Saskatchewan farmers, consideration must be given to the fact that the major source of income in

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this province revolves around a grain economy in the production of which the farmer has never enjoyed any level of price support. In 1956, cash income from grains and field crops accounted for 76% of Saskatchewan farm cash income. Wheat sales alone constituted 72% of total value of grains and field crops produced by the Saskatchewan farmer and 54.9% of his total cash income from all sources. Approximately 80% of the total volume of hard spring wheat production is available for exports, thereby indicating the vital importance of world trade in this commodity to the prairie farmer.

The proportion of Saskatchewan farm cash income from various sources in terms of percentage of total farm cash income is illustrated by Table III.

Table III

Source of Saskatchewan Farm Cash Income Expressed
in Percentage of Total Income

	1951	1952	1953	1954	1955	1956
Grains & Field Crops	73.7	81.4	81.9	71.5	65.1	76.3
Milkery Products	3.5	3.1	3.0	4.9	5.3	3.9
Livestock & Poultry	10.7	12.3	11.9	19.4	20.3	15.8
Other Farm Products*	4.1	3.2	3.2	3.9	9.3	4.0

Source: DBS Memorandums - Farm Cash Income

Includes Vegetables, Eggs, Wool, Honey, Forest Products, PFAA Payments, etc.

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Chart 1 has already indicated that the average prices of all farm products have declined consistently since 1951. This decline may be examined in greater detail for the major Saskatchewan farm products in Table IV.

In this table are listed the average Saskatchewan net farm prices for major agricultural products over the period of the past ten years, in terms of current dollars and relative purchasing power per unit of production on a cost price base of 1949 - 100.

It will be noted from Table IV that the percentage decline in current purchasing power from the 1949 level has been quite substantial in the majority of farm products. The relatively low decline in the purchasing power of milk is an outstanding exception and is evidence of the effort to relate producer costs and prices on the part of the provincial Milk Control Board.

This next page constitutes the entire table which gives you the actual dollars and cents return and having it brought down to the basis of purchasing power in 1949.

I would draw your attention to the prices for meat and poultry in 1956 and 1957 which are not themselves initial payments, final payments. These have not as yet been announced. You had yesterday from the Saskatchewan Wheat Pool, I believe, an estimate of the final return on wheat of 1.29. This, of course,



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remains to be seen as to the exact amount of that payment. The percentages decline are quite substantial. You will note, however, in the case of milk it is down by only 8.7 compared with the wider variations of the other commodities.

TABLE IV

Prices of Saskatchewan Farm Products at Producer Level in Current and 1949 Dollars
(Index 1949 = 100)

		1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	% Decline in 1949 Dollars
Wheat - Av. Price per bushel	All Grades	1.73	1.61	1.49	1.52	1.59	1.33	1.21	1.37	1.07*	1.09*	-46.0
1949 Value per bushel		1.71	1.61	1.43	1.29	1.33	1.12	1.03	1.16	.88	.87	
Oats - Av. Price per bushel	All Grades	.63	.71	.69	.68	.52	.56	.60	.61	.49*	.5*	
1949 Value per bushel		.66	.74	.66	.58	.51	.51	.51	.52	.40	.36	-39.2
Rye - Av. Price Per Bushel	All Grades	1.30	1.20	1.30	1.56	1.38	.80	.90	.92	.99	.84	
1949 Value per Bushel		1.36	1.20	1.35	1.33	1.16	.67	.66	.78	.81	.67	-44.2
Flax - Av. Price per Bus. All Grades		3.30	3.31	3.55	3.24	3.13	2.11	2.12	2.12	2.35	2.16	2.02
1949 Value per Bushel		3.98	3.31	3.41	3.35	2.63	2.05					-39.0
Steers - Saskatoon - Good per cwt.		17.40	19.18	23.44	31.05	22.35	18.22	17.10	17.75	17.60	17.05	
1949 Value per cwt.		18.22	19.18	22.50	26.39	18.77	15.30	14.54	15.09	14.43	13.64	-28.9
Hogs - Bl - Saskatoon - per cwt.		27.77	27.99	27.29	30.40	23.70	26.40	26.80	20.80	21.65	26.55	
1949 Value per cwt.		29.07	27.90	26.20	25.84	19.91	22.10	22.78	17.68	17.75	21.21	-21.74
Milk - Producer Price - Regina		3.89	3.91	4.13	4.30	4.50	4.50	4.50	4.50	4.50	4.50	
1949 Value per cwt.		3.37	3.31	3.17	3.80	3.76	3.76	3.80	3.82	3.68	3.57	-8.7
Western Canada Index of Commodities and Services (1949 = 100)		95.5	100	103.9	117.4	119.7	118.3	117.8	122.1	125.2		

* Initial prices.

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The preceding data supports a conclusion that while farm costs have spiralled upwards, a general downward trend has occurred in farm prices. This latter factor alone is sufficient to reduce the farm share of the consumer's dollar under a condition where retail prices remain relatively stable.

Table V compares retail food and farm price indexes from 1950 - 1956.

A relatively similar rise in the retail and farm index of food prices continued until 1952. In the course of the succeeding years, the index for farm prices dropped by 18.4% compared to a decline of only 5.2% in the retail index. Because of a more rapid decline in the level of farm prices than retail prices, marketing margins increased and the farm share of the consumer dollar declined proportionately.

TABLE V

Indexes of Retail Food Prices, Marketing Margins and Farm Shares -- 14 Selected Commodities (1949-100) - Canada 1950-1956

Year	Retail Food Prices	Farm Prices	Marketing Margins	Farm Share of Retail Cost
1950	101.5	101.0	103.2	98.9
1951	115.6	115.4	113.2	100.4
1952	118.2	118.6	127.1	94.6
1953	113.1	102.3	126.1	92.6
1954	110.3	97.2	126.2	90.9
1955	110.8	97.2	124.5	91.4
1956	112.1	96.8	129.7	88.0

Source: The economic Annalist -- June 1957

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I should draw your attention to this table.

It is on the basis of 14 selected commodities and is not the general retail price index of all commodities that are purchased but only of foods. Eight of these we are particularly interested in as being producers of in this province and they will show up in a subsequent table.

The relatively low decline in the retail food price index may be explained in part through an examination of table VI. This table compiles the operating results of chain grocery stores in Canada. While representing a comparatively high level of efficiency in the distribution of consumer goods, the operating expenses per firm as a percentage of total sales increased from 12.94% in 1949 to 15.32% in 1955. Operating expenses per average store increased from \$14,472 in 1949 to \$38,443 in 1955. It can be concluded that while consumer prices have largely been maintained on a stable level in recent years, it has been possible for the retail trade to absorb increased costs in the windfall created by falling farm prices, and the consumer has been the ultimate benefactor.

This table 6 illustrates the remarks we have made on the preceding page. I would point out to you that if you compare the indexes, the retail food indexes over the selected dates during the years that are shown in this chart you will notice 100 for 1949, 115 for 1951, 113.1 for 1953 and 110.8 for 1955, indicating that the retail indexes for these particular dates have actually declined although the chart or table illustrates the actual operating expenses of farms has climbed considerably.

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TABLE VI

Item	Operating Results of Chain Grocery Stores			1955 1953
	1949 1951	1951 1953	1955 1953	
Number of Firms	8	8	6	6
No. of Stores Operated	68	129	151	152
Average Sales per Firm	\$950,654.00	\$2,136,087.00	\$4,047,995.00	\$6,074,614.00
Average Gross Profit per Firm	\$151,724.00	\$ 331,734.00	\$ 605,580.00	\$ 973,765.00
Gross Profit as Percentage of Sales	15.96	15.53	14.96	16.03
Operating Expenses per Firm	\$123,014.00	\$ 301,615.00	\$ 558,623.00	\$ 930,635.00
Operating Expenses as Percentage of Sales	12.94	14.12	13.80	15.32
Operating Profit-Net	\$ 28,705.00	\$ 30,118.00	\$ 38,155.00	\$ 43,130.00
Net Operating Profit as Percentage of Sales	3.02	1.41	.25	.71
Average Sales per Store	\$111,841.00	\$ 132,179.00	\$ 160,871.00	\$ 230,711.00
Average Expense per Store	\$ 14,472.00	\$ 18,704.00	\$ 22,202.00	\$ 38,443.00

Source: D.B.S. Operating Results of Chain Food Stores.

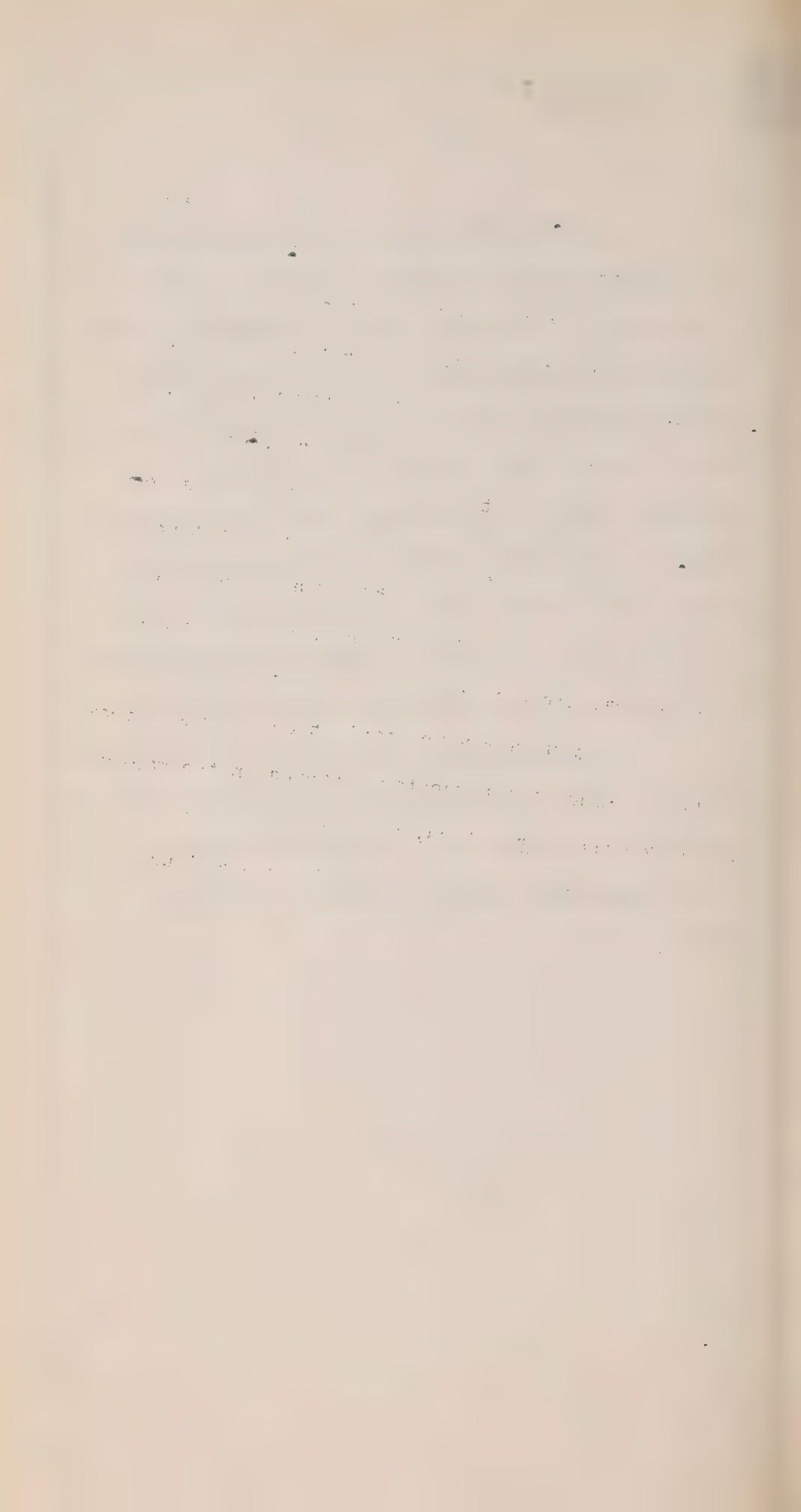


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A closer examination of the marketing margins of eight selected commodities is possible in Table VII. It is worthy of note that although the domestic price of wheat has declined by 16.4 per cent since 1949, the marketing margin of flour has increased by 32.4 per cent and for white bread by 49.3 per cent. In the case of butter, on the other hand, which has been supported rigidly since 1949, and before that time I believe, the marketing margin has actually declined by 5.5 per cent. This fact suggests an inconsistency in the general trend toward wider marketing margins.

And you have your table there on the extreme right-hand side, the percentage changes in the marketing margin for the commodities, and these are eight of the 14 commodities that are included in previous tables.





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TABLE VII

Average Annual Marketing Margins, 8 Selected
Commodities, Canada, 1949-1956

Commodity	1949	1950	1951	1952	1953	1954	1955	1956	Percentage Change - 1949 - 56
Wheat Flour 2 White Bread 2 Beef - Blue Brand	1b. 1b. 1b. 1b.	3.7 7.7 8.1 18.4	4.0 9.4 9.9 20.1	4.3 21.6 24.1 21.5	4.5 29.0 26.9 24.1	5.0 26.7 30.2 27.1	4.6 24.1 30.0 27.1	4.9 10.7 23.1 10.7	+32.4 +49.3 25.3 +37.5
Pork 3 Chicken 3 Eggs "A" Large Fluid Milk	1b. 1b. doz. qt.	25.7 23.5 11.2 7.9	25.7 23.5 12.4 8.2	27.8 26.2 14.1 9.1	26.2 29.5 15.2 9.8	29.5 30.0 15.8 9.5	23.1 30.0 15.1 9.9	27.5 +29.7 16.2 10.1	+29.7 +1.9 +44.6 +26.6
Creamery Butter	1b.	15.3	15.1	14.2	15.5	14.8	14.4	14.6	- 5.5

¹ Preliminary] ² Based on Domestic Price of Wheat in Store Fort William - Port Arthur, less
marketing charges from farm to Fort William - Port Arthur

³ Method used subject to revision.

SOURCE [Economic Annalist - June 1957.



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The farm share of the retail cost expressed in terms of a percentage of retail price is contained in Table VIII. This is showing the same thing, just in another way. You see there the percentage decline has been fairly consistent, with the exception again of butter where the farmer's share had actually gone up 1 per cent since 1949.



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TABLE VIII

FARM SHARE OF THE RETAIL COST AS A PERCENTAGE OF THE RETAIL PRICE
8 Selected Commodities, Canada, 1949-1956

Commodity	1949	1950	1951	1952 (Per Cent)	1953	1954	1955	1956 ¹
Wheat Flour ²	49	46	42	39	41	35	38	37
White Bread ²	23	21	18	16	17	14	15	14
Beef -								
Blue Brand	64	67	71	62	57	58	59	57
Pork ³	62	61	61	55	56	52	50	51
Chicken ³	56	58	58	56	54	55	58	51
Eggs - A Large	82	78	80	74	77	73	76	74
Fluid Milk	56	55	54	54	54	53	53	52
Cream ³								
Butter	76	75	79	77	77	78	77	77

1. Preliminary

2. Based on Domestic Price of Wheat in Store Fort William - Port Arthur less marketing charges from farm to Fort William - Port Arthur

3. Method Used Subject to Revision

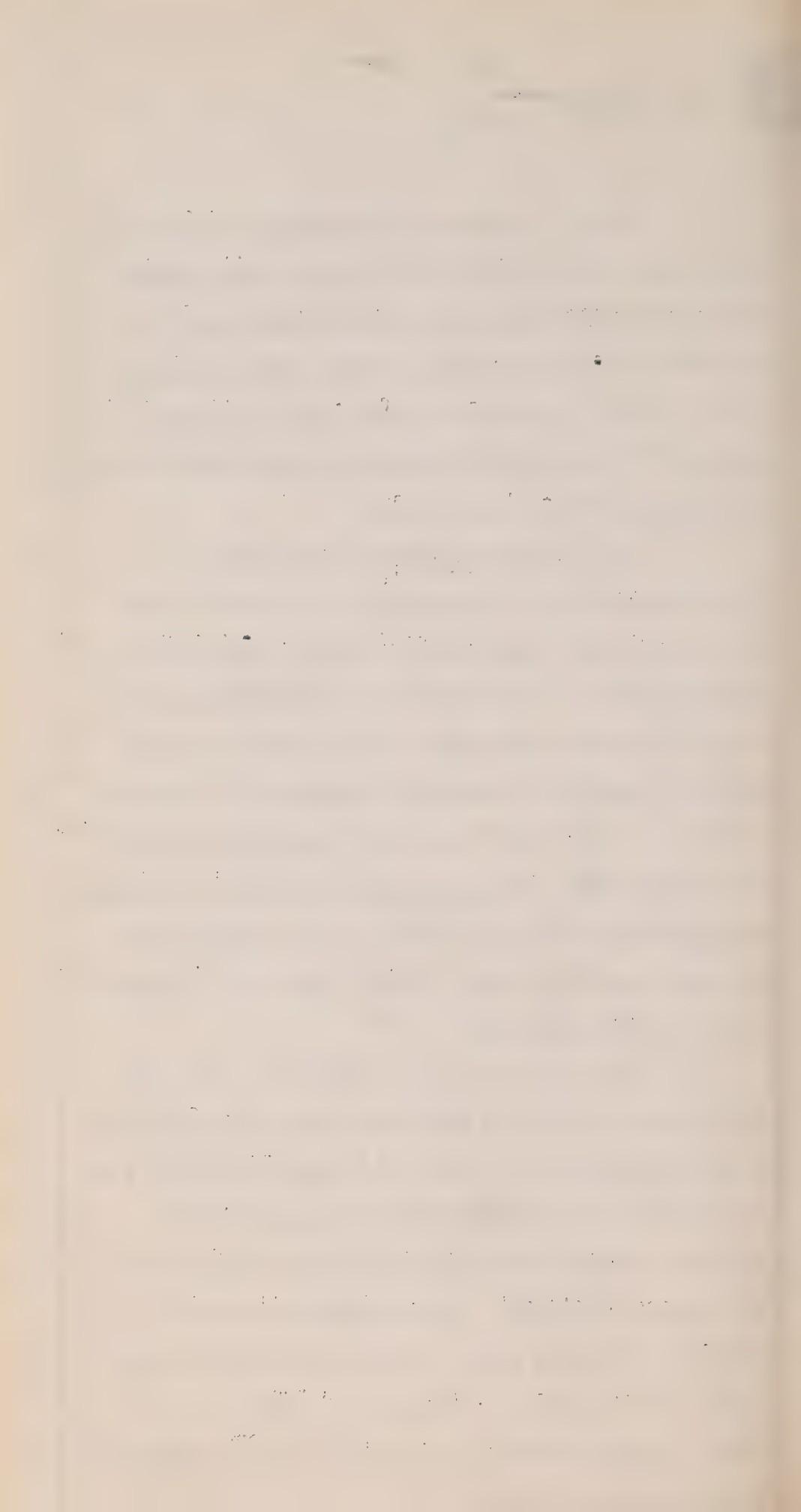
Source[Economic Annalist - June, 1957.



It will be observed from Table VIII that the farm share of the retail cost of butter has actually increased and has declined proportionately less in the case of fluid milk than for most other products. This is true in spite of the fact that processing methods for both milk and butter are more involved than, for example, in the case of eggs.

While marketing margins have widened in foods generally by as much as 29.7 per cent in the period 1949-1956, (see Table V), we are aware that a certain share of this increase may be attributed not only to increased operating costs of retail outlets, but as a result of a demand by consumers for increased services. Pre-frozen foods have expanded greatly in the retail trade. However, certain savings in spoilage and shipping costs are effected in this process which at least partially offset the full impact of increased costs on the retail price.

While there is a large segment of our population with low earning power that undoubtedly expends an above-average proportion of its income on food, the per capita food consumption, particularly in dairy products and meats, has shown a marked increase from the nineteen thirties. The consumption of cereal products, including bread, has decreased considerably in the past 20 years. This trend is indicative of a higher living standard in the present day than existed in the depression years.





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You have there showing the phenomenal increase in the consumption of dairy products, excluding butter from 1926 or 1930 to the final year of the table 1955. Similarly, the meat although the cereal product consumption shows a marked decline.



TABLE IX

Per Capita Consumption of Certain Foods and Classes of Foods, Canada 1926-55

Year (a)	Mil. pt./day	Other Dairy Products			Poultry Meat			Oil and Fats			Cereal (b) Products		
		Butter	Meat	Eggs	Oz.	lb.	Oz.	lb.	Oz.	lb.	Oz.	lb.	
1926	.86	13.2	-	23.4	9.4	-	-	-	-	-	190.2		
1930	.80	15.2	-	24.4	11.3	-	-	-	-	-	187.9		
1935	.84	12.5	115.5	22.6	18.7	-	-	-	-	-	189.8		
1940	.81	20.7	121.1	20.1	20.6	-	-	-	-	-	172.5		
1945	.98	29.2	145.6	20.5	25.3	-	-	-	-	-	208.6		
1946	.97	29.2	135.3	20.6	21.7	-	-	-	-	-	191.8		
1947	.93	36.1	140.6	20.6	23.4	-	-	-	-	-	170.7		
1948	.87	35.8	128.4	19.2	18.2	-	-	-	-	-	146.8		
1949	.85	35.2	133.6	17.7	20.1	49.-	157.-						
1950	.84	38.1	126.-	17.9	20.5	51.2	166.-						
1951	.83	39.2	128.9	18.-	23.1	49.2	164.3						
1952	.82	39.9	131.2	22.1	28.6	49.7	160.-						
1953	.83	41.5	138.8	22.7	26.2	48.2	138.8						
1954	.82	41.2	147.3	24.3	28.4	49.7	155.6						
1955	.83	42.7	150.8	23.8	29.5	49.3	154.8						

(a) The year used is the crop year for cereal products and the calendar year for all other products.

(b) Includes rice and prepared breakfast foods. Year to year fluctuations are partly due to the lack of complete data on flour inventories in all positions.



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A further appraisal of consumer spending for food items is obtained in Table X. This table indicates that the expenditure in current dollars has increased more than five-fold in the period of the last twenty years. This increase was similar to that in disposable income during the same period.

In the table are illustrated the total national expenditure for food in the left-hand column, the per capita consumption in terms of current dollars and in terms of 1949 dollars, and the percentage of disposable income and on food.



TABLE X

Food Expenditures Total per Capita and as a Percentage of Disposable Income in Canada, Selected Years 1935-1956

Year	Total Millions of Dollars	Per Capita in Terms of		Percentage of Disposable Income
		Current Dollars	1949 Dollars	
1935	791	72.94	156.5	24.0
1940	1055	92.70	178.3	21.9
1945	1885	156.15	238.4	22.4
1950	3039	221.63	216.0	24.0
1951	3488	248.98	212.8	23.8
1952	3669	253.75	217.7	23.1
1953	3747	252.41	224.2	22.4
1954	3881	253.88	226.3	23.1
1955	4065	258.95	231.0	22.3
1956*	4326	269.01	237.2	21.6

* Preliminary - Subject to Revision

Source: The Economic Annualist, August, 1957.



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The change that has taken place in per capita food expenditure in terms of 1949 dollars is important. The increase from \$156.50 in 1935 to \$237.20 in 1956 is indicative of the change that has taken place in both the quantity and quality of food being consumed. From this data it is obvious that the Canadian consumer is able to purchase greater quantities of higher quality food without spending a larger share of his disposable income.

A further indicator of the rising level of purchasing power of the Canadian consumer and his ability to buy food is indicated by Table XI in which are shown the quantities of food purchasable with one hour's industrial wages.

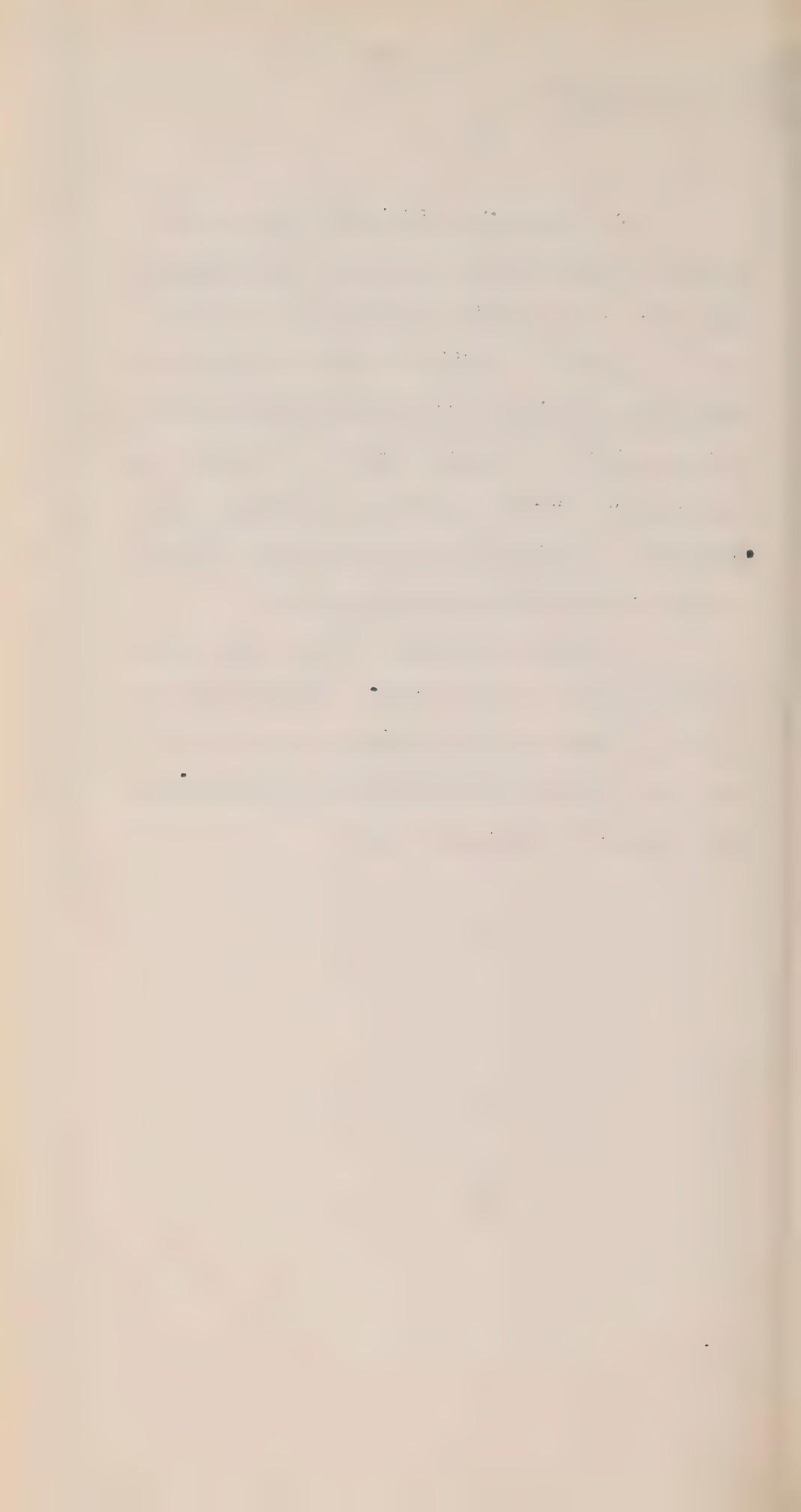




TABLE XI

Quantities of Selected Foods Purchasable with One Hour's Industrial Wages
1939 and 1944-56

<u>Year</u>	<u>Bread</u>	<u>Flour</u>	<u>Milk</u>	<u>Butter</u>	<u>Cheese</u>	<u>Round</u>	<u>Steak</u>	<u>Blade</u>	<u>Pork</u>	<u>Loins</u>	<u>Bacon</u>	<u>Dress.</u>
	<u>24-oz Loaves</u>	<u>lbs.</u>	<u>qts.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>	<u>lbs.</u>
1939	5.2	13.8	4.4	1.7	1.8	2.1	2.9	1.8	1.4	1.4	1.4	1.4
1940	7.1	17.2	6.9	1.8	1.7	1.9	2.6	1.9	1.1	1.6	1.1	1.6
1941	7.-	17.3	6.7	1.8	1.7	1.8	2.7	1.8	1.3	1.5	1.3	1.5
1942	7.1	17.5	5.7	1.6	1.6	1.7	2.7	1.7	1.2	1.4	1.2	1.4
1943	7.4	17.9	5.3	1.5	1.7	1.8	2.8	1.7	1.2	1.6	1.2	1.6
1944	6.8	15.-	5.1	1.3	1.6	1.6	2.2	1.6	1.1	1.5	1.1	1.5
1945	6.7	14.1	5.5	1.5	1.7	1.5	2.-	1.5	1.2	1.6	1.2	1.6
1946	6.7	14.2	5.7	1.7	1.8	1.3	1.8	1.6	1.3	1.8	1.3	1.8
1947	6.8	15.8	6.-	1.7	1.3	1.2	1.6	1.6	1.1	1.6	1.1	1.6
1948	7.3	17.-	6.1	2.-	1.9	1.4	2.-	2.-	1.9	2.2	1.9	2.2
1949	7.5	17.-	6.4	2.1	2.1	1.8	2.6	1.9	1.6	2.-	1.6	2.-
1950	7.5	18.3	6.7	2.2	2.2	2.-	2.9	1.9	1.5	2.5	1.9	2.5
1951	7.7	19.5	6.8	2.2	2.2	2.-	2.9	2.1	1.9	2.3	2.1	2.3
1952	7.6	19.-	7.1	2.4	2.2	2.-	3.1	2.1	1.9	2.1	2.1	2.4

Source[The Economic Annalist, August, 1957.



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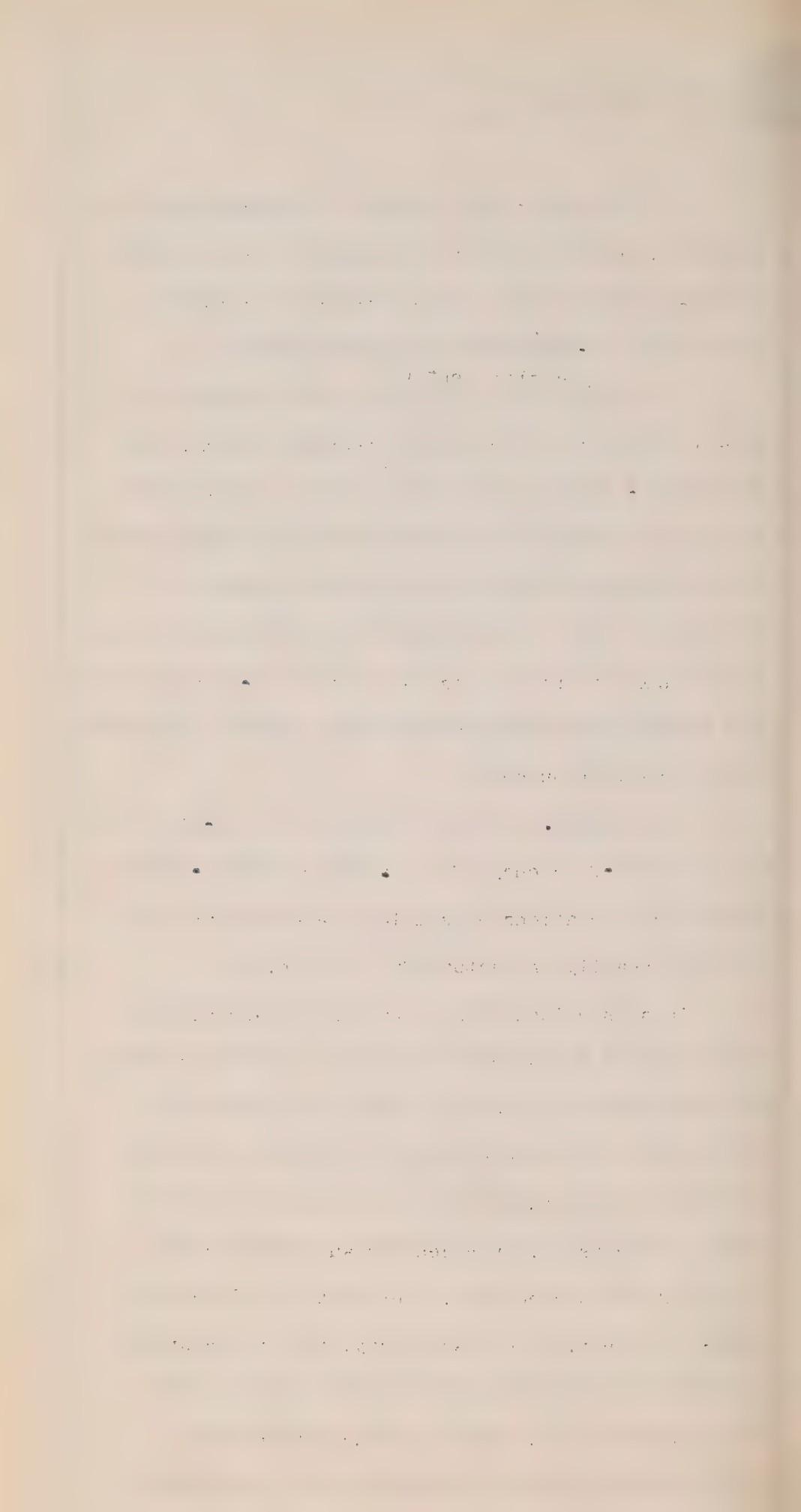
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From this data it may be inferred that the ability to purchase food on the part of the Canadian consumer has more than kept pace with the general food price increases that have taken place.

A factor of considerable importance to the price received by the producer and that paid by the consumer is the cost of distribution. The present methods of distribution, particularly of such products as milk and bread, do not stand out as pillars of efficiency. In view of little or no retail price competition, duplications of these services are extravagant and wasteful and create demands for greater efficiency upon the primary producer.

A further factor affecting farm income lies in the level of efficiency of primary market places. Seasonal price variations of similar grades of farm produce bear heavily on actual farm income.

This is evidence in comparing low and high market prices for livestock sold by farmers on Saskatchewan markets in 1957 as compiled in Table XII. For example, the price levels of good steers on the Saskatoon market fluctuated by as much as 25.9 per cent; and good cows 82.3 per cent; slaughter hogs 66.7 per cent; good sheep 242.8 per cent; and good lambs 46.7 per cent. Needless to say, the farm cost of producing these top grade animals did not vary to the extent of the market price fluctuations. Such extreme variations in price mean a considerable

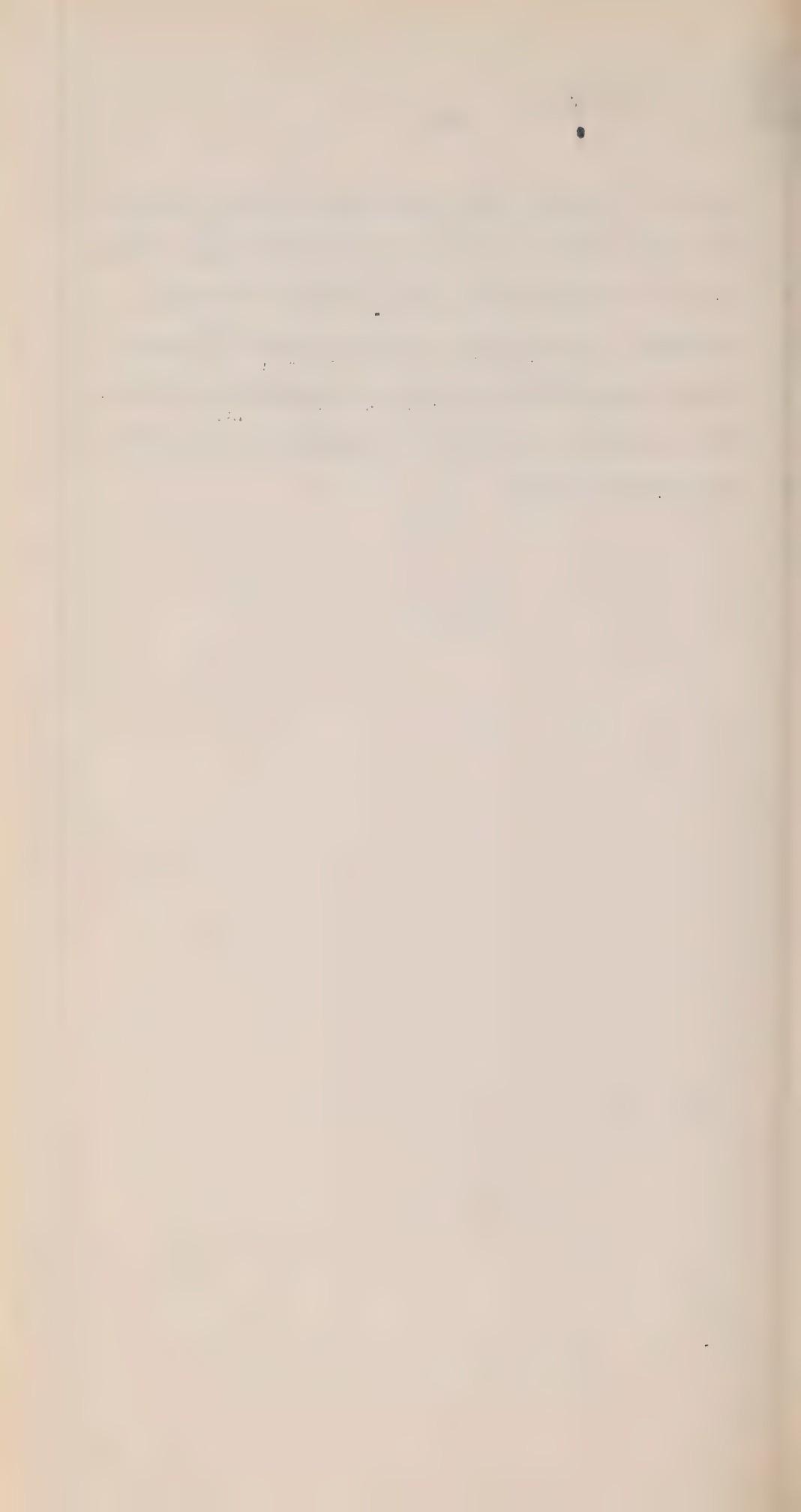




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degree of income loss to individual farmers who market livestock during periods of low market prices. Widely fluctuating farm prices based on small temporary surpluses do not offer a reliable guide to farmers in effecting sound production or managerial decisions. Neither are such day-to-day fluctuations reflected in consumer prices.





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TABLE XII
Price Range of Livestock Sales on Public Stockyards
1957

Grading Per Cwt.	Prince Albert		Saskatoon		Regina	
	Low	High	Low	High	Low	High
Good Steers (up to 1,000 lbs.)	15.00	17.75	18.3	18.25	25.9	18.00
Good Heifers	13.50	16.75	24.0	12.75	16.80	20.1
Good Calves	14.50	17.50	20.6	13.50	17.00	25.5
Good Cows	8.00	14.00	75.0	8.50	15.50	25.0
All Cattle per cwt.	2.00	19.50		3.00	19.50	75.8
Slaughter Hogs	21.00	35.00	66.7	21.00	35.00	64.3
Good Sheep	4.00	9.75	143.7	3.50	12.00	242.8
Good Lambs	14.50	23.75	63.7	15.00	22.00	14.50
						22.00
						51.7

Source [

Livestock Market Review - 1957.



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Market fluctuations such as those illustrated in Table XII and Table XIII which follows, have a definite lowering effect on the farm share of the consumer dollar and a widening effect on the overall marketing margin.

Another factor in market spreads of cattle might be considered by this Commission. It concerns the spread in producer prices between steers and heifers. We question the full justification of these spreads as they exist on the public markets, and refer you to Appendix I. We draw your attention particularly to the spreads of steers and heifers on the Canadian market in comparison with the spread in the United States.

Certain marketing practices of the present day are reminiscent of the Stevens Royal Commission Report on Price Spreads (1934). We draw to your attention, particularly, the following quotations:

"The farmer producing grain has some alternatives in its disposal -- he may sell it, feed it or hold it; but when a steer or hog is 'finished' it must be sold, as it rapidly deteriorates. Thus the farmer producing livestock is more completely at the mercy of the buyers than farmers producing other farm commodities and it is essential that extra precautions be taken to preserve his interests.



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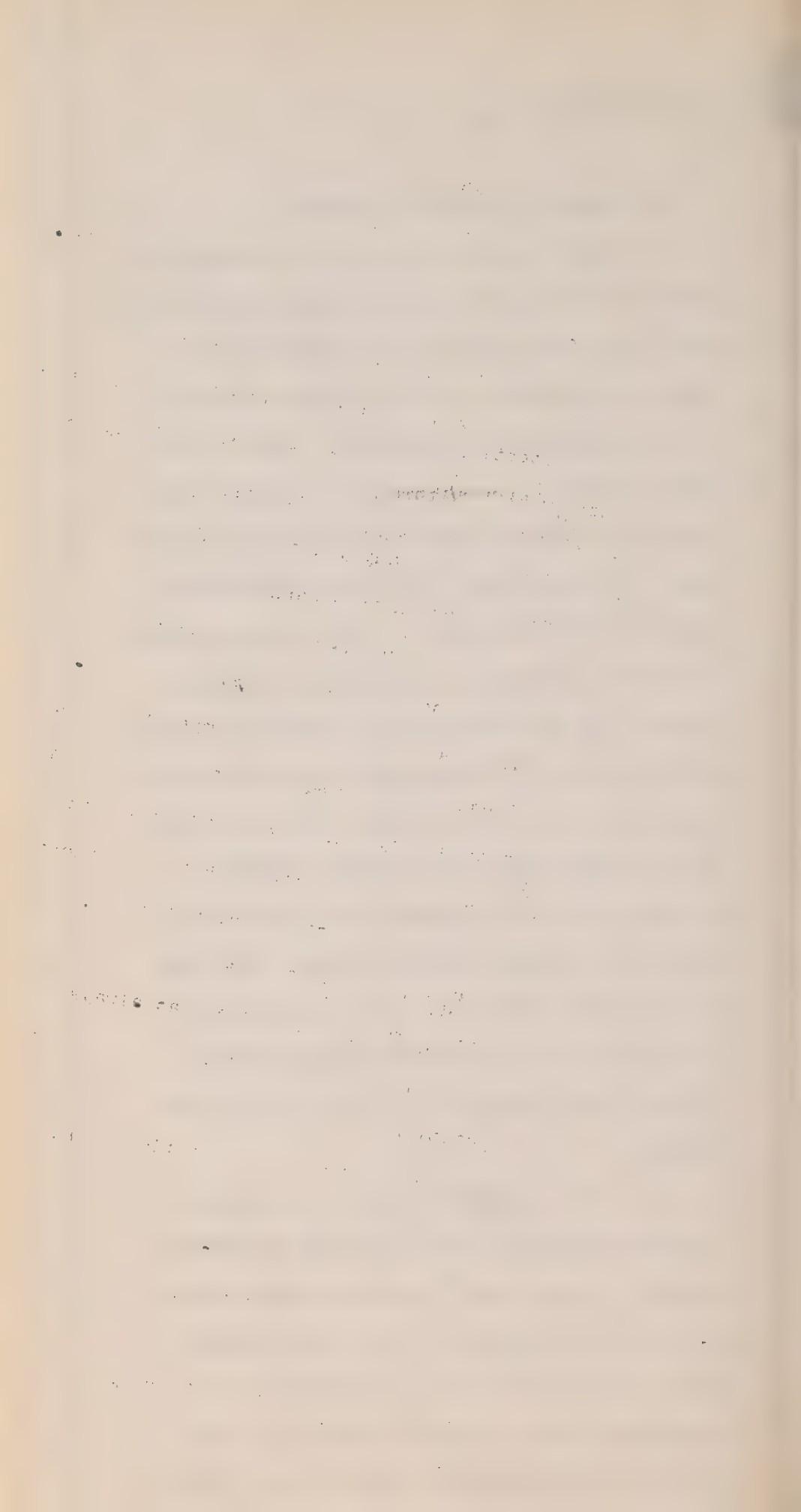
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"Stockyards and Public Markets:

For protection of the farming community, Departments of Agriculture encouraged the establishment of the open market-place, known as the public stockyards, and have adopted regulations for its management and control. This is the place to which it was expected all buyers would come and to which, naturally, all sellers should come. For many years the public stockyards functioned in this manner. Stock was accumulated by drovers, shippers or producers at country points, sent by rail to public stockyards, where numerous buyers in open competition bought their livestock, and thus the market price was fixed. In those days there were numerous packers, butchers, exporters, feeders and others competing for the stock which arrived. The law of supply and demand had a fair field of operation and the producer was always ensured a market price definitely fixed by active competition.

(a) Lack of Competition in Purchasing:

In recent years this situation has completely changed. This change has been brought about mainly by three factors. First, the elimination of the small packing company and the wholesale butcher, either by merger and absorption or by cut-throat competition. Today





"the meat packing industry is concentrated in very few hands. Canada Packers Limited is the dominating unit, with a business greater than the next five packing companies combined. This development has reduced competition to the detriment of the producer. Canada Packer buyers are to be found on the chief stockyards in Canada, and all are instructed as to price, methods and practices from a single office in Toronto. Swift Canadian Company, with plants at six centres in Canada, has its buyers on the same stockyards, directed from head office at Toronto. Burns and Company Limited, with plants at Calgary, Vancouver and Edmonton, has its buyers on all Western yards, all directed from Calgary. Livestock purchasing is thus concentrated, with a result, as our evidence shows, of lack of price competition among packer buyers.

Another method adopted by the packers which has reduced competition on the open market is the practice of selling to the wholesale butcher carcasses on the rail at cost price plus killing charges and thus removing the wholesale butcher from competition on the public stockyards.

(b) Direct Shipments:

The third factor which has affected



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"competition is the fact that the packing companies have very vigorously developed a system of direct shipment of livestock to the packing plant instead of to the stockyards.

The prices paid for livestock shipped direct is said by the packers to be the market price. That market price is the price set where there is a competitive market, namely, on the public stockyards. The evidence submitted to us showed quite conclusively that the packer with his large supplies shipped direct, frequently abstained from buying upon the public stockyards. He was not a keen buyer because such a substantial portion of his demands were already met by direct shipment. These direct shipments, therefore, have the effect of breaking down the price upon the public stockyards, and when this price has been so broken down to a level satisfactory to the packer, then he secures his necessary supply. Not unnaturally, it follows that on a slow or draggy market, prices are easily depressed."

It is our view that the factors referred to by the Stevens Commission as not working in the best interests of producers are still prevalent in our marketing system today and that very little



has in fact been done to protect the interests of the producer in the market place since that time. The operation of feed lots by packing companies, for example, is often, in effect, an extension of the practice of making direct shipments to packing plants.

An examination of Table XIII presents a striking example of marketing margins and producer-consumer price spreads as they exist in eggs. This table is also of interest from the point of view of price spreads between various grades of eggs.

The price spread between producer and retail outlets for Grade "A" large eggs on the Saskatoon market is, for the most part, maintained at 12 cents per dozen, irrespective of the volume of eggs marketed. In so doing, no encouragement is offered by the wholesaler for increased consumption by lowering the price to the retailer other than through the decline in the farm price. The spread between the wholesale and consumer price for Grade "A" large eggs varied from one cent to 9 cents per dozen. The overall marketing margin for Grade "A" eggs from producer to consumer varied from 13 cents to 21 cents per dozen.

It will be noted that in the week of November 8, 1957, the producer price was 32 cents per dozen when provincial marketings averaged 1123 and 1410 cases per week. It would appear that



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producer prices had been lowered in anticipation of heavier marketings in the months ahead.

The producer price margin between Grade "A" large and Grade "A" medium eggs varied from 2 cents to 10 cents per dozen while the price spread between Grade "A" medium and Grade "B" eggs ranged from zero cents to 18 cents per dozen. The consumer price between Grade "A" medium and Grade "B" eggs varied from 1 cent per dozen in the week of November 29 to 18 cents per dozen in the weeks of August 20 and September 10, 1957. The highest consumer price for Grade "B" eggs occurred in the week of July 23, when highest marketings were recorded. (See also supplementary Table 1).



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TABLE XIII

Selected Average Weekly Egg Prices - Saskatoon Market

	Grade A Large			Grade A Medium			Grade B		
	Prod. per doz.	Re- tailer per doz.	Sask. Mark.	Prod. per doz.	Ret. per doz.	Cons. per doz.	Prod. per doz.	Ret. per doz.	Cons. per doz.
Feb. 18/57	42	45	46 ⁵⁸	20	32	30	1479	18	39
Mar. 7/57	40	49	3872	23	34	2218	21	33	38
Apr. 23/57	42	49	2820	25	35	2047	21	33	38
May 2/57	44	49	146	25	35	1747	22	34	38
June 6/57	44	51	857	22	34	1419	22	34	39
July 10/57	52	55	655	32	42	1072	22	33	39
Aug. 20/57	50	52	974	38	50	318	22	34	39
Sept. 10/57	54	59	1123	40	52	300	22	34	39
Oct. 22/57	54	55	1410	40	52	365	22	34	43
Nov. 6/57									4452
Dec. 11/57									
Source: Poultry Products Market Report - Canada Department of Agriculture									

Source: Poultry Products Market Report - Canada Department of Agriculture



From this data it may be inferred that the wholesale marketing margin for eggs was not affected by volumes of handlings. Wide fluctuations occur between producer and consumer prices, in the spreads between various grades of eggs and in the prices paid to producers at various periods of the marketing season.

The impact of wide price fluctuations on the market has a tremendous effect upon the ultimate cash income return to the farmer.

Vertical Integration: While possibly not directly included in the Terms of Reference of this Commission, our organization is deeply concerned by the growing trend towards vertical integration in certain fields of agriculture.

We advance the definition applied in an article, "Vertical Integration" by Grant Cannon (The Farm Quarterly -- Winter 1958), as a "re-grouping of resources through ownership or credit control in order to carry out different levels of activity in an enterprise."

This Commission will be aware of the trend that has taken place towards vertically integrating the broiler industry in the United States, and, more recently, in Canada. It is developing in other commodity areas as well, as a result of the introduction of contract farming, notably for rapeseed, in this province, and in the livestock industry,



with packing companies now engaging actively in feed lot operations.

Our concern hinges on the effect of vertical integration on our agricultural society and the possible monopolistic control of food prices. Mr. Cannon's article points up the fact that 90 per cent of broilers in the United States are now produced through vertical integration. He refers, also, to the blacklisting of producers considered unreliable or inefficient by the Growers Exchange, an organization of integration operators. The end result of such a practice can mean the denial to an individual producer of the use of the market place and the right to earn a living. The control of credit and capital in the hands of a few middlemen in whose power rests the welfare of thousands of farmers appears to be a 20th century version of feudalism or even a capitalistic equivalent of communism.

Vertical integration can have serious effects on individual producers by virtue of the fact that it is capable of offsetting losses in one phase of its operation by gains made in other sectors. The net result can force prices for the primary product to such low levels that the individual farmer is incapable of competing in the production of the basic product. This can force him out of farming as an individual operator and into an integrated operation, where he, too, becomes a



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second-class citizen in a master plan of production in which he has no voice or vote.

We believe that Government, and possibly this Commission, have a duty to perform in determining the social effects of integration and whether its ultimate benefits will accrue to farmers and consumers, or the relatively few who control production and capital resources.

We believe this Commission should recommend to Government that study and research be undertaken in order to determine the possible social effects on the individual farmer, should vertical integration continue to take over large segments of agriculture and replace independent farm operators.

In the event this trend toward monopoly control of people and resources is to continue, we believe the rights and privileges of individual farmers will be lost unless they are able, through group action or co-operatives, to maintain control of this new industrial concept of agriculture.

Conclusions: 1. Several major changes have occurred in recent years in the agricultural economy of Saskatchewan. A large decline in the numbers of farm operators has taken place as a result of a high degree of mechanization which has made possible a more economic allocation of both human and capital resources.

2. Increased farm costs of 25.2 per cent



since 1949 and a decline in farm prices of 12 per cent during the same period has seriously affected the farm economy and appears to have outstripped any advantages the farmer should have obtained as a result of having adopted more efficient means of production.

3. Retail food prices have remained fairly stable in spite of increased costs of distribution and greater consumer demands for services. This reflects the lack of effective bargaining power of the primary producer in the market place.

4. Marketing margins have increased in proportion to the decline in farm prices, thereby lowering the farm share of the consumer dollar.

5. Farmers are subjected to a considerable number of marketing abuses. Margins in prices between similar grades of farm products fluctuate greatly during marketing periods, as do price spreads between various grades of products. This further reflects the lack of bargaining power in the market place on the part of the primary producer. A sharp contrast is presented between the widely fluctuating market price of livestock and the stable producer prices for milk and butter for which support prices have removed drastic seasonal price variations.

6. Per capita food expenditures and consumption indicate a rising level of living on the part of the Canadian consumer. There are, however, examples of inefficient marketing at the retail level



which add to consumer costs, and in turn force lower farm prices on producers and create demands for greater efficiency.

7. Certain practices in marketing considered by the Stevens Royal Commission Report on Price Spreads of 1934 as being contrary to the best interests of producers, are still in use at the present time.

8. Vertical integration poses as a serious threat to the ultimate security of the family farm and the rights and freedoms of the individual. It is being hastened by a demand for greater efficiency in production through applying an industrial concept to agriculture against which individual producers cannot survive in competition.

Recommendations: (1) The Farmer's relatively poor position in obtaining an adequate price for the products which he produces undoubtedly comes about as a result of his lack of bargaining power in the market place. As marketing costs have increased, the forcing downward of the farm price has offered the line of least resistance. As a result it has been possible for other segments of the food industry to maintain the price level to the consumer on a relatively stable basis while recovering increased costs by way of lower farm prices. The overall effect of lower farm prices in combination with rising farm costs has added greatly to the instability of farm income. We recommend that every assistance



be given by the Federal and Provincial Governments to farmers in the establishment of producer or national marketing boards in order that the bargaining power of the primary producer may be increased in the market place.

(2) Agriculture has not contributed towards the inflationary trends that exist in our country. The prices of farm products have declined steadily over the past several years while the cost of commodities and services required in farm production have continued to increase. It is our view that consideration of farm prices based on production and supply factors alone are not sufficient, and a definite relationship between the level of farm prices and farm costs must also apply. We bear in mind the desirability to the producer of maintaining a high level of food consumption in our country. We realize fully that should farm prices be increased to the level which the situation demands, a hardship might very well be created among the lower income level groups of our nation. However, we are equally emphatic in our view that if it is the objective of Government to provide abundant supplies of cheap food to Canadian consumers, such food must be subsidized by the nation as a whole rather than by the farmer as an individual. In this respect we would recommend the maintenance of a support price program for farm products established at parity with the "free flowing"



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market price establishing the price level to the consumer. In order to maintain maximum consumption, the difference between the support level and the "free flowing" price might be made up to the producer in the form of a deficiency payment.

(3) In the case of wheat consumed on the domestic market, we submit that the payment of a parity price to the farmer would not involve any great burden to the ultimate consumer in view of the fact that the average value of wheat used in bread amounts to approximately 3 cents per loaf. Therefore, an increase of even 50 cents per bushel in the domestic price of wheat would have the effect of increasing the price of a loaf of bread by only one cent. This might be absorbed by the trade if inefficient means of distribution are discontinued.

(4) We recommend that this Royal Commission investigate the efficiency of our present-day marketing system for farm products. We make particular reference to retail distribution costs of such commodities as break and milk and the wide fluctuation in producer prices during the course of the marketing season. A serious loss of income often results to the producer from the accumulation of a temporary surplus which may represent a very small portion of the nation's total production. Without small surpluses, all sections of our population might not be assured of adequate supplies of food at all times.



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(5) We recommend that this Commission attempt to determine to what extent the abuses in the marketing system for livestock reported in the Royal Commission on Price Spreads of 1934 have been removed from present-day trade practices with a view to suggesting effective measures to assure producers of greater marketing stability.

(6) We recommend that a Board of Livestock Commissioners be established which could provide the primary producer with proper marketing information and production trends as well as regulate grading and price spreads of livestock marketed in order to improve the efficiency of livestock marketing operation.

(7) The main emphasis to date in agricultural research has been in the field of production. We recommend that agricultural research be extended to include the various aspects of marketing of farm products, both through producer marketing agencies and private concerns.

Appendix I

Subject: The Margin Between Steer and Heifer Prices.
Ottawa, January 31, 1957.

Steers consistently bring higher prices per pound on the market than heifers of a similar weight, quality and finish, but the spread in price at different seasons



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of the year and on different markets varies widely.

Eight years sales records on the principal livestock markets, kept by the Department of Agriculture Ottawa, reveal little uniformity in this price differential though with some exceptions steers have consistently sold at higher prices. There is little apparent difference between the relative prices for different grades, the top grades showing as much difference in price between the two as the poorer grades.

Over the eight years the differential in all grades ranged from a few cases where heifers of the same grade outsold steers to instances where steer prices averaged five cents a pound more than the same grade of heifers. The sales records do show that in the Toronto market there is a noticeably smaller spread than in Montreal. Markets at Calgary and Winnipeg come between the two, with Calgary closest to the Toronto level.

Another consistent pattern revealed by the sales records is the seasonal character of heifer marketings. The percentage of heifers in the total number of steers and heifers sold each month for the past three years has reached a peak in November, December and January, when heifers made up 30 to 38 per cent of the total. In May, June and July, they declined to only 20 to 25 per cent. The spread in prices widens or narrows about in relation to the



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volume being marketed -- the months when heifers are in largest supply are also the months of the greatest spread in prices.

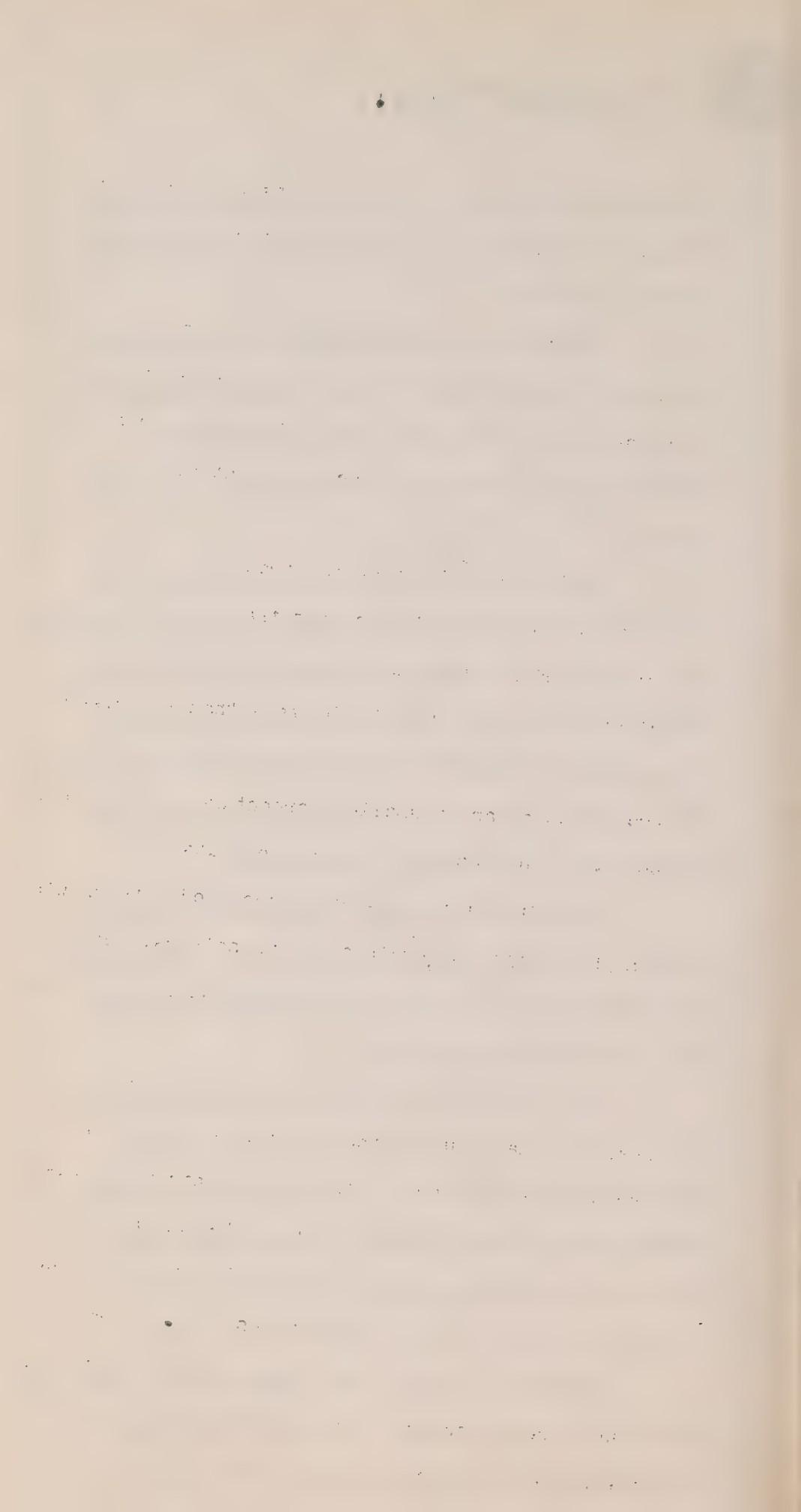
Sales records on two United States markets, Kansas and Chicago, show the same seasonal trend, and the same consistently lower prices for heifers compared with steers but the differential is not as great.

Reasons given by the trade for the lower prices usually paid for heifers than for steers include: Lower dressing percentages, or proportion of carcass weight to live weight, for heifers than for steers, more wastage in cutting up carcasses into the various retail cuts, and a smaller percentage of the total carcass going into the high priced cuts.

Steers are generally credited with showing a higher dressing percentage than heifers, but records collected by the Department of Agriculture indicate there are numerous exceptions.

In a group of 6,000 fed calves marketed in Western Canada during the years 1950-1956, which included 900 heifers, both live weights and dressed weights were carefully checked. The animals were divided into groups covering four different grades and three different weight ranges in each grade.

In the "A" grade, the lightest group, 300-400 pounds warm dressed weight, the steers outyielded the heifers in dressing percentage by one-tenth of



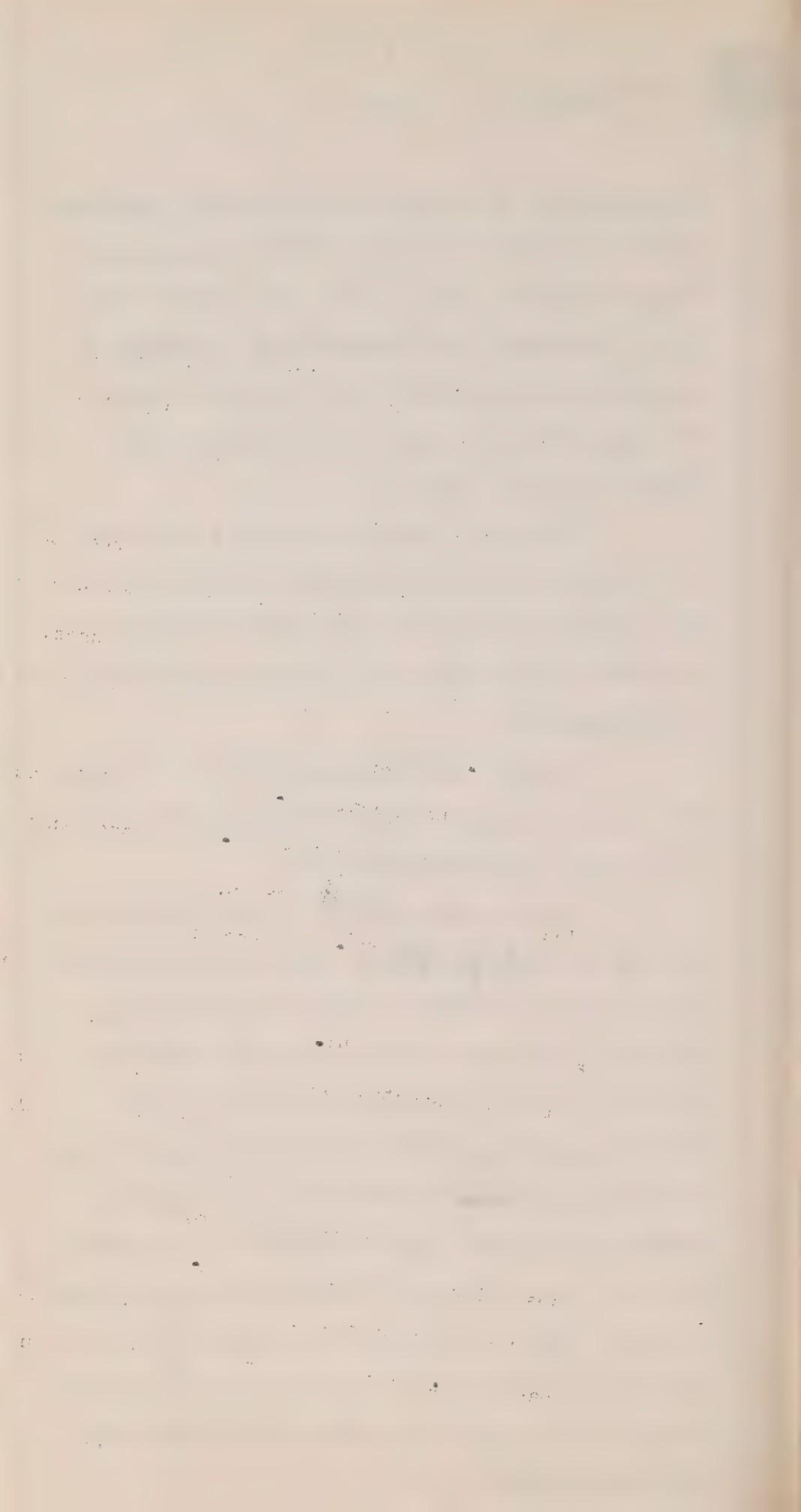


one per cent. In the 400-500 pound group the steers again outyielded the heifers, in this case by two-tenths of one per cent. Put in the 500-600 pound group the heifers beat the steers by two-tenths of one per cent, and in this lot 86 heifers yielded 57.8 per cent, the highest in the whole project, steers included.

In the "B" grade, the heifers topped the 300-400 pound group by one-tenth of one per cent but the steers in the heavier group, 500-600 pounds, exceeded the heifers in that group by three-tenths of one per cent.

In the overall average for the "C" grade, for all three weight groups, steers dressed an average of 56.3 per cent and heifers 55.5.

Records were obtained on the dressing percentage of 4,300 cattle from various parts of Canada marketed through regular commercial channels and killed at inspected plants, during the Summer and Fall of 1951 and the Winter and Spring of 1952. They included steers and heifers of the same grades and weight groups as the fed calves from Western Canada listed above. Again there was no consistent pattern. The steers had a higher dressing percentage than the heifers in the majority of the groups but a group of "A" grade heifers and a group of "C" grade heifers both exceeded the steers in the same grade and weight group.





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In a special test at Calgary in 1953, four Hereford steers, average weight 472 pounds, grading two reds and two blues yielded 57 per cent, while four Hereford Heifers, average carcass weight 408 pounds, grading all A's, yielded 58.7 per cent.

An earlier check was made by a National Advisory Beef Committee in 1940-41, of 2,076 steers and 675 heifers marketed through five packing plants in Vancouver. They were graded alive into choice, good, medium and plain cattle. According to the Committee's report the dressing percentage of steers in each of the five grades was approximately 2 per cent above that of the corresponding grade of heifers.

All these records suggest there is a wider variation in dressing percentage between individual animals, even within the same grade and weight range than there is between steers and heifers as such. For instance in four different groups all weighing between 500 and 600 pounds:

34 B grade steers ranged from a low of 48.9 to a high of 58.8 per cent

13 F grade heifers ranged from 49.2 to 60.1

66 C grade steers ranged from 48.8 to 62.0

37 A grade heifers ranged from 50.0 to 61.8

Perhaps the soundest conclusion to be drawn from these records is that the carcass weight of a



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beef animal is a much more reliable guide to the amount of meat the animal provides than the live weight.

But the carcass weight and grade alone will not determine the final value of the animal when sold over the retail counter. That value will depend to some extent on the amount of fat that has to be discarded in cutting up the carcass and the relative weight of the high and low priced cuts into which the carcass can be divided.

Meat specialists in the Federal Department at Ottawa, are working on this problem but to date few figures are available.

"Cut-out" Values of Steers and Heifers:

Heifer Beef generally brings less per pound at wholesale than steer beef of the same grade. If a wholesaler cuts his carcasses and sells wholesale cuts, he can mix ribs, chuck, and loins of steers and heifers together at the same price, but the hips, which can be identified as to sex, will sell for less when cut from heifers.

A spot check at Montreal recently showed that heifer carcasses were being sold at from one cent per pound to as much as 3 and 4 cents less, through the Choice, Good and top Commercial qualities. The picture at Toronto was similar to that at Montreal. Choice heifer carcasses were mostly 2 cents below choice steers. This spread sometimes



reached 6 to 7 cents in the second and third grades.

In the fed calf class where animals are younger and lighter in weight, the price margin may be only 1 or 2 cents between steer and heifer carcasses. In all cases the discount on heifers tends to increase as weight and fatness increases. Heifer carcasses are criticized for being patchy and wasty. Lumps of external fat around the rump are characteristic and necessitate costly trimming.

Meat buyers for the large food chain stores tend to set the pattern of beef prices today. They not only specify the grade they want but also the sex. The majority do not buy heifer beef, those who do select them carefully. The result is that heifer carcasses have to find a market at varying discounts as already indicated.

Not much information is available on the actual "cut-out" values of heifers and steers. Most cutting tests have been made on steers of various grades and weights.

In one test, carried through to wholesale cuts only, 27 B grade steers, average weight 555 pounds, dressed, showed 48.3 per cent hind quarter with 27.7 per cent in sirloin, short loin, and rib. One B grade heifer, weight 544 pounds, had 50 per cent hind quarter, with 29.6 per cent of the three high priced cuts.



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Another group of 9 C grade steers, 506 pounds average weight, had 48.6 per cent hind quarter, and 27.7 per cent of sirloin, short loin, and rib. One C grade heifer, 502 pounds, had 50 per cent hind quarter and 27.5 per cent in high-priced cuts.

One project was carried through to retail to see how much of each cut actually reached the retail counter from various carcasses. The six cuts, sirloin tip, sirloin butt, short loin, rump, round, and rib, were taken as representing the best of the carcass. Three grade "A" steers showed 33.7 per cent of the carcass in the six cuts; six steers, 5 A and 1 B, had 34 per cent in these best cuts, while 2 Grade "A" heifers had 33.1 per cent. The heifers came between the two steer groups for yield of four cuts but were lowest on rib and round, though all the differences were small.

It is obvious that more "cut-out" information is needed before the comparative values for steer and heifer carcasses of the same weight and grade can be fully determined.

The Marketing Service of the Department of Agriculture at Ottawa, will appreciate the co-operation of producers, packers and retailers, in securing this factual information.

Amount by which the yearly average price per 100-pound of choice, good, medium, and common



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steers, up to 1,000 pounds exceeded the yearly average price of the corresponding grades of heifers for the years 1950 to 1957 at four leading Canadian stockyards.

	<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>
Toronto								
Choice	2.18	1.99	2.02	2.40	-	+0.50	3.19	+1.64
Good	1.95	1.92	1.93	2.02	0.43	0.60	0.75	0.10
Medium	2.07	1.68	1.68	2.76	0.57	0.75	0.57	0.33
Common	1.23	1.49	0.80	1.10	0.34	0.00	0.71	0.00
Montreal								
Choice	3.67	-	-	4.72	5.21	3.36	0.25	0.51
Good	2.44	2.66	3.10	3.83	3.36	3.52	1.37	1.63
Medium	2.78	3.32	3.24	3.80	3.05	2.54	3.03	1.92
Common	2.71	3.02	2.86	3.33	2.64	2.16	3.02	2.66
Winnipeg								
Choice	1.25	2.17	2.59	3.18	3.24	2.96	2.31	2.80
Good	1.30	2.16	2.63	2.34	2.44	3.39	2.46	2.12
Medium	1.85	2.35	2.70	3.25	2.52	3.06	2.60	1.47
Common	1.72	1.95	1.98	2.19	1.98	1.98	2.47	1.44
Calgary								
Choice	1.81	1.93	2.12	2.13	1.44	0.77	+0.42	1.44
Good	2.03	2.59	2.14	2.33	1.79	1.50	1.59	0.78
Medium	1.78	2.88	2.03	2.48	1.95	1.66	1.79	+0.35
Common	1.75	2.08	2.13	2.34	1.79	0.97	1.69	+0.27

(See Exhibit No. 30 for Graph.)

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Supplementary Table I
Egg Prices - Saskatoon Market
Period June 11, 1957 - March 4, 1958

Week	A - Large			A - Medium			B		
	Pro-	Re-	Con-	Pro-	Re-	Con-	Pro-	Re-	Con-
	ducer	ducer	sumer	ducer	tailler	sumer	ducer	tailler	sumer
Mar. 4 1958	30	42	45	25	36	41	18	30	37
b. 25	30	42	45	25	35	41	18	30	39
b. 18	30	42	45	20	32	40	18	30	39
b. 11	30	42	45	20	32	39	18	30	37
b. 4	30	42	45	20	32	39	18	30	35
n. 28	30	42	45	20	32	39	18	30	36
n. 21	30	42	45	21	33	40	18	33	38
n. 14	30	42	45	23	34	40	22	33	38
n. 27	23	40	49	23	34	40	21	33	38
c. 30/57	28	40	49	25	35	40	22	33	36
c. 23	30	42	49	25	35	40	21	33	38
c. 17	30	42	49	25	35	40	21	33	38
c. 10	30	42	49	25	35	40	22	34	36
c. 3	30	42	49	25	37	39	21	33	33
v. 29	32	44	49	25	35	39	22	34	38
v. 22	32	43	49	25	33	39	22	33	38
v. 15	32	43	49	25	33	43	22	34	39
v. 8	32	44	51	22	34	40	22	34	39
v. 1	36	49	55	24	35	45	22	35	39
v. 29	36	49	55	24	35	45	22	35	39
v. 22	40	52	55	32	42	47	22	33	39
v. 15	40	52	57	32	42	49	22	33	39
v. 8	40	52	57	32	43	47	22	33	39
c. 1	40	52	57	38	50	55	22	34	39
Oct. 24	40	52	58	38	50	56	22	34	39
Oct. 17	40	52	58	38	50	57	22	34	39
Oct. 10	40	52	59	38	50	57	22	34	39
Oct. 3	40	52	58	38	50	56	22	34	39
v. 27	40	52	59	38	50	57	22	34	39
v. 20	42	54	59	40	52	57	22	34	39
v. 13	42	54	53	40	52	56	22	34	43
v. 6	42	54	53	40	52	56	22	34	43
July 30	42	54	55	40	52	53	22	34	43
July 23	42	54	55	40	52	53	22	34	43
July 16	37	48	52	35	46	50	22	33	39
July 9	33	43	48	31	41	46	22	33	39
July 2	32	42	47	30	40	45	22	33	40
June 25	30	42	47	27	38	44	22	33	39
June 18	30	42	47	24	35	43	22	33	38
June 11	30	42	46	24	36	41	22	33	37

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THE CHAIRMAN: Thank you, Mr. Thiesson.

We will have a few questions to ask you and Mr. Gleave but before we do I would like to re-read the terms of reference into the record and make one or two comments on the limitations of our Terms of Reference.

I would like to assure you in advance that this is no criticism of the content of the briefs and of your brief in particular, but it seems perhaps an advantage to us to relook at what our specific Terms of Reference are.

The Order in Council P.C. 1957-1632 provides that the Commissioners are to:

- (a) inquire into the extent and the causes of the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by consumers therefor;
- (b) determine whether or not such price spreads in general or in particular cases are fair and reasonable, or are excessive, in relation to the services rendered;
- (c) make such recommendations as they deem appropriate if any such price spreads are found to be excessive; and
- (d) examine the adequacy of price information currently available.



The instructions to the Commissioners in the Terms of Reference do not include supplementary payments to producers and consumers in the form, for example, of deficiency payments to producers or consumers' subsidies; nor do the terms of reference instruct us to consider all of the factors which affect the net incomes of farmers: for example, the relation between farm prices and farm costs.

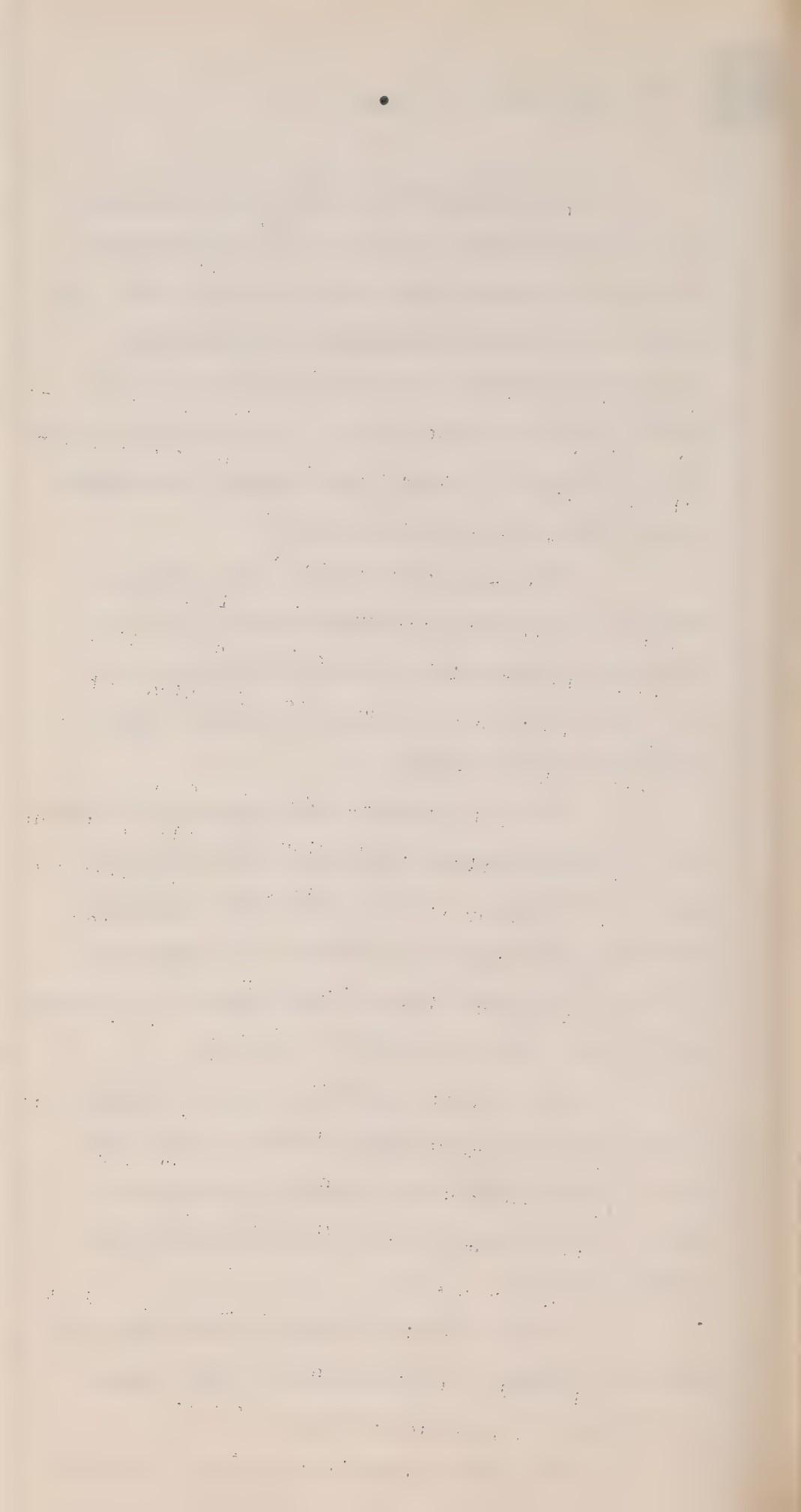
There have been frequent references in briefs to these matters and the Commission has received this material as we believe the position of the farmer is part of the context in which we have to examine the price spreads.

It is our view that the operation of voluntary co-operative organization does fall within our terms of reference. In the case of co-operatives which distribute patronage dividends to members or to others, the final price to the producer is increased and to this extent the spread is narrowed.

We are also prepared to receive evidence on compulsory marketing boards on the grounds that it may be argued that these boards can increase the price to the producer without increasing the price to the consumer.

We wish to put on record at this time our views with regard to the relevance of these matters to our specific terms of reference.

Just to illustrate, in your brief you have





a recommendation with regard to possible deficiency payments.

MR. THIESSEN: Yes.

THE CHAIRMAN: We feel this matter is in fact outside our Terms of Reference.

MR. THIESSEN: We of course became aware of this yesterday when another submission was made with reference to deficiency payments or the apparent concept of it. However we are, I think, of the opinion that costs in retailing and distribution are going to continue to increase rather than decrease through higher taxes, advertising costs, salaries, wages, labour and so on. We do not think there is going to be much hope in sight of narrowing marketing margins of food products. We think that if it is contrary to public policy to have higher retail prices then deficiency payments stand as a practical solution to the narrowing of the price spread. Of course the alternative to that would be lower farm prices.

THE CHAIRMAN: I think we appreciate your position quite well. I hope you appreciate ours and we must remain perhaps a little more hopeful than you do with respect to the spreads.

MR. GLEAVE: I think certainly in the matter of the marketing boards as you say you are prepared to accept recommendations in this respect, I think we mention that in our brief and I think we would



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possibly like to refer you to an address by Mr. D. R. Campbell, head of the Department of Agricultural Economics, the Agricultural College, Guelph, who made a very good presentation with respect to marketing boards to the Canadian Federation of Agriculture this year. He outlined some of the possible approaches they could make to the farm problem and some of the effectiveness they could have.

I would quote you briefly here:

"Both producers and state marketing boards
"are looked upon as a method of approving
"the bargaining power of producers who as
"individuals, are almost without such powers.
"To use J. K. Galbraith's terminology, they
"become part of a system of 'countervailing
"power' to offset the concentration of re-
"sources and bargaining powers in large in-
"dustrial and commercial corporations, the
"labour unions, and in supermarket chains.
"The trend in industry to larger corporations
"has not been a deliberate plot to exploit
"less well organized groups, but the result
"of following purely economic forces, which
"associates greater incomes with greater
"size of firms. The countervailing powers
"of labour unions, of consumer retailing
"corporations, which Galbraith says operate
"to keep consumer prices down, and finally



"of agricultural groups, is a natural development.

"Most marketing boards are born in periods of unsatisfactory prices. Voluntary co-operatives are not as a rule created nor designed to operate two-price systems, to allocate supplies, or to raise prices by industry-wide bargaining and/or storage at a loss. Attempts in such directions are likely to result in failures. At such times, producers' groups turn to government to make it necessary for all to conform to the decisions of the majority."

Under Provincial legislation we have about 25 producers' marketing boards presently operating within Canada. The majority of them, of course, are within the Province of Ontario. Several in the Province of British Columbia and one honey marketing board presently operating within this province. We call this to your attention.

If you wish, Mr. Chairman, we would give you this complete brief of the address presented by Dr. Campbell for your records and for your perusal, since we think he is one of the few people who have made a study of this particular method and how it is actually working in the provinces where it is being used.

THE CHAIRMAN: Thank you very much for



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the reference. I have no doubt we can obtain this from Mr. Campbell who is well known to us. We can go directly to him.

I think Dr. Drummond has a few questions he would like to direct to you now.

COMMISSIONER DRUMMOND: Mr. Thiessen, on page 7 the last sentence in the second paragraph:

"Because of a more rapid decline in the level of farm prices than retail prices, marketing margins increased and the farm share of the consumer's dollar declined proportionately."

As that reads one would almost conclude that you think the entire reason for the increase in the width of the marketing margin was the fact that for some reason or reasons the retail prices remained up.

MR. THIESSEN: If you examine the table there you will notice from 1952, starting at 1952, the retail foods price index in all farm prices was fairly close, fairly comparable. The farm price index subsequently dropped to 96.8 per cent while the retail food price took a much less drastic decline. The difference in that, of course, is attributed largely to the marketing margins, the margin between the two has a tendency to widen.

COMMISSIONER DRUMMOND: You stated elsewhere, and I think emphasized in several places,



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your view that the retail prices have remained up and that farm prices have gone down primarily because of the difference in bargaining power of the parties concerned. Before we get into any discussion of this bargaining power problem would you be inclined to say there are other factors in addition to bargaining power which has been responsible for the widening of the spread or the high level of retail prices?



MR. THIESSEN: Well, in the presentation that we are making here, we are of course taking primarily the position of the primary producer and with respect to the primary producer, the prices received by the primary producer have certainly shown ample evidence of having declined, and there are other factors that have probably kept up the retail price such as increased costs of distribution, which I believe were pointed out in this presentation.

We acknowledge this, but there are other factors, but the fact seems to be seen that when these other costs have contributed to distribution costs it has not always been reflected in higher retail prices, that is for these particular commodities under review, and the retail food price increase, for example, in Table VI I pointed out to you as we were proceeding, in 1951 the retail food increase was 115.6; at that time the operating expenses per store, which is the very bottom line, the operating expenses per chain store were \$18,704. In 1953 the increase for retail food prices was 113.1, which is a drop of approximately a point or two and a half points, although their expenses had risen per store to \$22,202.

In 1955 the retail food price index was 110.8, which was another slight drop, although the operating expenses of the chain stores had gone up to \$38,000, and this leads us to conclude that



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operating chain stores were able, to a large extent at least, possibly to absorb these increased costs against the falling farm prices because they were able to buy cheaper from the primary producer and as such were able to maintain relatively stable levels of retail price to the consumer.

COMMISSIONER DRUMMOND: What it really boils down to, is when it came to it they were better able to maintain prices than the farmers?

MR. THIESSEN: Yes, and I believe it is reflected earlier in the table in which we show the capital return on the investment because here again you have the capital investment increase of \$4,000 between 1951 and 1956, while the net return to the farmer and his family for labour, and so on, was reduced from \$3,817 to \$2,459. In other words, they lost \$1,400 by increasing their capital investment \$4,000. In that respect it is the reflection of his weaker bargaining power.

COMMISSIONER DRUMMOND: On page 8, the centre of the page, you make a comparison or distinction between the situation in respect to the margin of flour and the margin of butter, and your last sentence states:

"This fact suggests an inconsistency in
"the general trend toward wider marketing
"margins."

I was wondering about that word "inconsistency" there.



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MR. THIESSEN: The general trend as table VII indicates shows that the annual marketing margin of these eight selected commodities, all of them show a marked increase. Butter is the one exception where the marketing margin has actually narrowed, and we think it is significant also from the point of view that butter is the commodity that must be stored and a more involved process. For example, in bringing it from the producer level to consumer level, than eggs.

For example, eggs is a commodity which is the nearest to nature that purchasers buy, and should require less handling and so on, processing, in bringing this about, and we think that this marks a definite inconsistency in this general trend towards wider marketing margins.

COMMISSIONER DRUMMOND: Have you any thought at all as to how you can explain that problem in the butter?

MR. THIESSEN: We are able to, that is partly explainable by the fact that butter has been under support price by government, and the government has guaranteed the producer through purchases by the trade, that he will receive what has been until recently 58 cents per pound. It is now up to 64 cents, and this price is consistent throughout the year and when the trade comes into difficulty in the supply, as a result of the price support, then the government



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has been prepared to purchase these stocks and dispose of them in other ways, and this I believe has been the prime factor in greater stability in the price of butter than it has been in other commodities.

THE CHAIRMAN: But is your argument that the low spread in the price of butter is attributable to the price support?

MR. THIESSEN: I think it is.

THE CHAIRMAN: Have you any data on the retail market on butter?

MR. THIESSEN: Well, I know from experience that it has been running about 68 cents. There is a table here, I believe, with the marketing margin, for example, Table VII shows that the margin between the producer and consumer has remained about from 15.3 in 1949 to 14.5 in 1956. I am not sure -- no, I haven't got it for the farm price, but the farm price has remained fairly stable in that while.

THE CHAIRMAN: It does seem in some ways that butter is a rather unusual case, as your Table VIII on page 9 points out the share to the farmer of the retail price is higher than in any of the other products you show in spite of the fact that creamery butter is a processed product. It is also true as you have indicated on Table VII that the margin has actually declined. I understand that there are unusually low mark-ups in butter in the retail outlets. They don't seem to have had much to do with support



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price, but might have.

MR. THIESSEN: I would suggest that if support prices were not there, the price to the producer would probably vary according to greater amounts marketed during various seasons of the year, much as the case with eggs when you have high marketing seasons and we have similarly for butter fat, and if that were the case I don't believe that producers would enjoy the stable level of prices for butter that they now have.

THE CHAIRMAN: No, but there is somewhere else that this same point comes up. You are arguing from a variability of the producer's price, seasonal let us say, it is variable to the margin having in mind I take it the annual margin, the margin between the average price at retail and the price to the consumer. Now there may be a relationship between these two, but I would like to hear the argument that there is.

Putting it another way, producers' prices are variable during the year. This may follow a fairly regular pattern from year to year, not completely regular but there will be some seasonal variation. Now when we turn to the margins we usually talk about the margin between the average price to the retailer during the year and the average price to the producer. Now is there anything to demonstrate that the variability of prices



to the producer within the year offsets the relationship between the two prices?

MR. THIESSEN: We do not have that here but I believe that possibly that can be obtained. I know the Dominion Bureau of Statistics prepares publications on dairy statistics and I would presume that it would be obtained from there.

THE CHAIRMAN: Quite obviously within the year, with the retail price remaining fairly stable, if you have variable producers' prices of a seasonal pattern your spread is greater at some times of the year than others.

MR. THIESSEN: Yes.

THE CHAIRMAN: Most of the data compares prices from year to year dealing with the average. I think the question really is whether the mere fact of variability of prices within the year affects the level of prices throughout the year -- but I do not want to pursue that any further. May I just pick one other point on this table though.

I was struck by your implication that it was the support price which created this particular condition in the case of creamery butter. Eggs have been supported, have they not?

MR. THIESSEN: Yes, they have.

THE CHAIRMAN: Not as consistently perhaps as butter but there has been support?

MR. THIESSEN: The support price on eggs



has been set at 30 cents per dozen, basis Montreal, and there have been varying differentials across the country. It has been popularly accepted that the support prices on Grade A large eggs in Saskatchewan should be about 30 cents per dozen and most prices are quite low during the short marketing seasons and even this price has gone quite substantially above the support price. There are times when it has been down to the support price. In fact there have been times when it has been below the support price.

THE CHAIRMAN: What struck me in this table, Table 7, is that you picked out the case of creamery butter in which the percentage change from 1949 to 1956 has been downwards and by implication, at least, you tend to explain that in terms of price supports and then I look at eggs where there has been price supports and I find that the change is plus 44.6 per cent.

MR. THIESSEN: I would be inclined to conclude that the support price on butter had been at a higher level or more realistic from the point of view of the producer price than in the case of eggs and that for this reason the support price on butter had a more moderating effect in fluctuations than is the case in eggs. I think eggs is probably a poor example.

THE CHAIRMAN: Thank you.



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COMMISSIONER DRUMMOND: You suggest, Mr. Thiessen, that the increase in margins has been at least partly due to increased operating costs and also to a demand by the consumers for increased services. That is your general statement?

MR. THIESSEN: Yes.

COMMISSIONER DRUMMOND: Now, in your tables there is an indication that the actual degree of increase in the spread varies tremendously from commodity to commodity. I wondered if you had thought of attempting to make any comparison or establish any relationship between the width of the spread and the amount of increased services or increased operating costs?

MR. THIESSEN: No, we have not made any effort to do that. It would be quite a substantial undertaking, I think, and would entail a considerable degree of research. We believe that possibly -- we are aware that these increased services are taking place and that obviously part of these increased services result -- must reflect somewhere in higher prices and it might also be possible if the increased services had not taken place that the retail price index, say from 1951 downward, may have gone down more than it has; in view of the slide or sharp decline in price index of farm prices.

Possibly that information would be available from this same table that I have taken Table 6



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from. If you consult that source, there was a breakdown of costs and so on for this particular segment of the industry and you might refer to that for increased costs in this particular outlet.

COMMISSIONER DRUMMOND: Thank you very much. On page 12, the second paragraph from the top you state:

"The present methods of distribution,
"particularly of such products as
"milk and bread, do not stand out as
"pillars of efficiency. In view of
"little or no retail price competition,
"duplications of these services are
"extravagant and wasteful".

Now, there are two or three questions there.

First, I would like to relate that statement to another one that you have on page 5 at the very bottom where you say:

"The relatively low decline in the
"purchasing power of milk is an out-
"standing exception and is evidence of
"the effort to relate producer costs
"and prices on the part of the pro-
"vincial Milk Control Board."

There seemed to me to be quite an inconsistency in respect to the milk market there.

MR. THIESSEN: Well, no. On page 5 I am referring there to the producer price of milk.



There has been an effort on the part of the Milk Control Board to give producers or set prices to producers and on page 12 I am referring to the retail distribution.

For example, I live in the City of Saskatoon and there are four milk companies who deliver milk in that city and I may purchase my supply of milk perhaps from any one of the four if I so desire and they would all deliver -- they all may drive by my house with their milk waggons.

The milkman that delivers to us delivers to some houses on the street. He does not deliver to others. Another milkman delivers to some of the others, and so on.

As a result you may have three or four milk waggons all running down the same street making deliveries. This does not seem to me to be the most efficient means of delivering milk.

In the case of bread where there is a bread truck that goes around and delivers to the small stores, and if we so wish, we may have bread delivered directly to our house although the store is right next door to us and this seems to me to be costly as well -- to have a bread man running to the truck for a loaf of bread and bring it back to our house and charge us what we would have to pay if we walked over to the store, which would not be any particular effort.



COMMISSIONER DRUMMOND: My thought was really this: if this inefficiency, which you just outlined, actually exists, according to my understanding of your general argument, that would be reflected back into a lower producer price.

MR. THIESSEN: In the form of milk?

COMMISSIONER DRUMMOND: Yes.

MR. THIESSEN: I believe the probable effect of the Milk Control Board there has been it has resulted in a higher retail price and in the case of bread itself, while the price of wheat has gone down by about 30 cents a bushel in the last few years, the price of bread has increased considerably.

COMMISSIONER DRUMMOND: My other question was simply this: you say in view of little or no retail price competition -- have you any specific proof or evidence that the business of price competition exists or is that a deductive analysis?

MR. THIESSEN: I think it is deductive. I may go to the store at which we shop and pick up a loaf of bread from any number of named bakeries and the price is the same for all of them. It may be the same is true in other stores as well. I know possibly of one exception and that might be the case of Westons who are linked up with the O.K. Economy Chain. I believe it sells for a cent a loaf less than do other brands of bread.



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COMMISSIONER DRUMMOND: The mere fact that the price is the same in all of them, is that sufficient evidence there is no competition in respect of price?

MR. THIESSEN: It might not be. I would not say it was sufficient evidence but I say I believe it appears to me that there is little evidence.

MR. GLEAVE: It might indicate competition is in point of service rather than price.

COMMISSIONER DRUMMOND: Theoretically could it not indicate the price competition was well nigh perfect? If you have complete competition the result of that is supposed to be a single price; is it not?

MR. GLEAVE: I am not enough of an economist to get you on that.

MR. THIESSEN: We don't know. Maybe it is competition. Maybe it is not. This would be something for the Combines Act to look into to determine whether it is competition or not.

MR. GLEAVE: If it is perfect competition we have some perfect competition for oil prices for our tractors too.

COMMISSIONER DRUMMOND: There is an interesting figure on the same page where you speak of the spread in the different types of livestock. The figure in the case of sheep is set out as being



very, very high. Have you any thought why that should be so much higher than the others?

MR. THIESSEN: No, we don't know why.

All we know thes figures are given to us and the source from which they were taken and it was not a poor grade of sheep. It was under the classification of good sheep. Probably the buyers who bought the sheep at that price would be in a better position to tell you than we are. We questioned the validity of it.

THE CHAIRMAN: Might I pursue one point in connection with milk. I understand your point in connection with milk is in the case of the producer's price under the Milk Control Board this price has been related to farm costs and therefore it has been going up recently, whereas farm prices as products which are not subject to this kind of regulation have been going down.

Now we were not able to get yesterday from Mr. Ridley the changes which have occurred in prices at the producer and the consumer level in the controlled areas. You yourself have indicated that the fact has been that the consumer's price has increased in the case of milk whereas the evidence generally is that the consumer's price has increased in the case of milk whereas the evidence generally is that the consumer's price for other things remains pretty stable in the last while.



The point I wanted to ask you about was on page 10, the table on Per Capita Consumption of Foods. Is this increase in the price of milk, in view of the explanation of the actual decline in per capita consumption of milk since 1947, or relative stability of per capita consumption of milk since, say, 1951, whereas the consumption of other things per capita has been going up?

MR. THIESSEN: In the case of milk I would think the consumption has gone down for reasons other than price. I would refer you to Table 11 in which it is shown one hour's industrial wages in 1947 would have purchased 5.3 quarts of milk and in 1956 7.1 quarts of milk. I don't believe price has affected the consumption there. Probably there have been other factors that have affected it. Recently, for example, you have had a more widespread acceptance, I believe, of the powdered milk varieties. I don't know whether this would be reflected in the tables or not. Probably more Coca-Cola being drunk.

COMMISSIONER DRUMMOND: You have a very interesting statement on page 13, Mr. Thiessen. Immediately under that table you say:

"Market fluctuations such as those
"illustrated in these two tables have
"a definite lowering effect on the farm
"share of the consumer dollar and a
"widening effect on the overall marketing



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"margin."

Would you care to explain that?

MR. THIESSEN: Yes, if you have a price, for example, good steers selling for 20 cents a pound and the meat you buy at the retail outlet selling for 60 cents a pound you have a ratio there of one to three and if your farm price should drop to go to the extreme, say, of 10 cents or 15 cents and the retail price may drop 5 cents you would have a greater ratio there than one to three in the relationship. The relationship would mean the farm share was smaller as a result of the 5-cent drop to the producer price but percentagewise the price to the consumer might not drop to that extent.

COMMISSIONER DRUMMOND: Coming to this matter of stockyards and public markets and the pricing of livestock. First, you seem to suggest here that the main reason for the development of direct marketing has been the deliberate action of the packers. Do you think that is the only explanation?

MR. THIESSEN: Well, on this question of marketing we were fascinated in reading over the Stevens' report and in parts of that report it appeared to us that it could have been written in recent times. The direct shipments, I think, are probably from the farmer's viewpoint at least -- I presume that he accepts that as a convenience. He accepts that as a convenience in having a person come to his farm and pick up



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the animal to take to market. Often the trucker may be under contract to the packing plant. We have the example where this works contrary to the best interests of producers of hogs recently. A year or so ago hog prices were at the floor of 19 cents on the public market. At that time the packing companies were receiving through checkers and direct shippers and paying producers on the basis of 18.75. It was 25 cents under the floor price. We had numerous complaints at that time and it was brought to the attention of government the support price for hogs did not apply on sales directly to packing plants but only where marketed through public yards.

I believe it is conceivable when there are large shipments of livestock and hogs directly to the packing plants it has the effect of lowering the market price because the packing plant has assured itself of a certain supply. As was pointed out in the Stevens Commission they are not as keen buyers as they would be if all the animals were shipped directly to the public yards where the buyers from the various companies would be in a position to bid on them.



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COMMISSIONER DRUMMOND: Has the development of direct marketing become definitely more pronounced in this province since the time of the Stevens' inquiry?

MR. THIESSEN: I wouldn't say whether it was. I haven't any statistics to back that up, but we know that from the Stevens report that it existed at that time and we know that it is still existing to-day. The Stevens Commission recommended that all livestock should be marketed through the public yards, and they recommended also that a board of livestock commissioners, or something, words to that effect, should be established in order to control these various aspects, and we know that neither of those things are being done or have been done.

MR. GLEAVE: I think at this time you would find that there is a considerably larger percentage of the marketing directly in this province than do go through the yards. We are quite safe to say that.

COMMISSIONER DRUMMOND: That is no question at all. It varies with the types of livestock, of course. In any case, it is certainly much more pronounced. I think one of the other briefs yesterday indicated that 18 or 19 per cent of your hogs went through the yards.

MR. GLEAVE: Yes.

COMMISSIONER DRUMMOND: That is considerably



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higher than in some other provinces.

MR. GLEAVE: I see.

COMMISSIONER DRUMMOND: You state that at the bottom of page 15 these direct shipments have the effect of breaking down the price upon the public stockyards. I assume your argument there simply is this, that you have actually stated it ---

MR. THIESSEN: The Stevens Commission stated it.

COMMISSIONER DRUMMOND: You have repeated very general arguments.

MR. THIESSEN: Yes.

COMMISSIONER DRUMMOND: My thought was this, that while it is true that a fairly small percentage of the livestock is bought on the public stockyards, it is also equally true that the demand is of the same general size at the yards as the supply. In other words, your supply tends to offset the demand, or vice versa as the case may be.

There is a question here as to just how the size, the percentage of your livestock in itself affects the price that is determined, you see.

MR. THIESSEN: We have brought these quotations from the Stevens Commission in for your consideration and review, because if these conditions existed at that time, and the same practices are being followed today, we believe that possibly the facts which the Stevens Commission thought were



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working to the detriment of the producer at that time, the facts might still very well be working to the detriment of the producers and if these events are investigated again by this Commission we believe that possibly you may receive supplementary information from possibly the packing companies that can affirm or give some other, shed some other light on the subject that we are not able to give fully, accurately, other than through supposition.

COMMISSIONER DRUMMOND: My general thought in asking these particular questions was simply this, that you emphasized the widening of the spread.

MR. THIESSEN: Yes.

COMMISSIONER DRUMMOND: You have also emphasized the possible effect of lack of price competition?

MR. THIESSEN: Yes.

COMMISSIONER DRUMMOND: Due to the reduction in the number of packers and the methods of determining the price, that is direct marketing versus public marketing. What I am wondering really is whether all these things, in your opinion, have become much more pronounced in recent years, because it is the last ten years that this Commission is primarily concerned with examining?

MR. THIESSEN: I would say it is our opinion that it has increased, that the farmer's



bargaining power in the market place has lessened within this period.

COMMISSIONER DRUMMOND: You think that that lessened bargaining power is reflected in any way in the size of profits or in any other way? Is there any outward evidence?

MR. THIESSEN: Of the farmer's position?

COMMISSIONER DRUMMOND: Of his lessened bargaining power, yes?

MR. THIESSEN: I think it is reflected in his declining share of the consumer's dollar, for one thing.

COMMISSIONER DRUMMOND: The only other question that really concerns us is one of your recommendations, and it ties in with this argument, that the lack of bargaining power is a major factor in explaining the present situation. The question is, how do you feel that marketing boards, which you definitely recommend here, can operate to improve the bargaining power and through that to reduce the spread?

MR. GLEAVE: Well, I would refer you again to the statement of Dr. Campbell, because I think we have not made a serious enough study of it either ourselves as a union or authorities within this province to definitely state that certain things can and cannot be done, but I would refer you again to statements of Dr. Campbell who has apparently made



some certain study, and I believe his opinions are worth consideration, and I read them here a few moments ago, if that is satisfactory.

COMMISSIONER DRUMMOND: Thank you very much. I have read those myself also.

MR. GLEAVE: Well, I might say that we feel there is a need for research and investigation along these lines. We ourselves in this province have said marketing boards are a solution, but it is not sufficient for someone to express this opinion and someone express another opinion.

There are certain facts available, and more facts should be gathered to enter upon a course of marketing as important as this, involving a total produce within a province. They should have had at their command research facilities that will enable them to make sound judgments based on previous experience and previous knowledge, and that is one of the greatest lacks in this area actually.

COMMISSIONER DRUMMOND: Just one remaining question, also related to this bargaining power. You have within this province a very pronounced degree of voluntary co-operative organizations?

MR. THIESEEN: Yes.

COMMISSIONER DRUMMOND: And have had for many years. One of the main purposes of that type of farmer action has been to provide competition and thereby improve the price situation, hasn't it?



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MR. THIESEEN: Yes.

COMMISSIONER DRUMMOND: To help the farmer's bargaining power?

MR. THIESSEN: That is right.

COMMISSIONER DRUMMOND: Is your conclusion that purely voluntary type of action is simply not sufficient to give farmers enough bargaining power and that it has to be supplemented by the marketing board type of activity?

MR. GLEAVE: Yes, it is. The conclusion -- Dr. Campbell again states that in this address and we agree, sir. I think Mr. Thiessen in these tables has shown you extreme fluctuations in the marketing of livestock, and yet at the same time that this is happening actually one of our largest co-operatives, who has operated a number of stockyards within this province and has buyers, I believe, at every public yard, and I have bought and sold livestock through them myself, and it is our opinion that this is not sufficient.

Your position is this, that you are attempting to effect trends in the market with in most cases less than a majority of the amount of flow through the market place, and you cannot effectively, in our opinion, effect prices with forty per cent of the flow through a market place.

I think it would be almost obvious that you must have a far greater flow than this, and the



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farmers if they attempted to effectively dominate the market place, say with sixty or seventy per cent of the flow, and supposing they established some kind of a co-operative organization, and poured capital into it to do this, it would probably only endanger the capital which they poured in or would be ineffective.

COMMISSIONER DRUMMOND: I think that is all, Mr. Chairman.



I-JC

THE CHAIRMAN: Mr. Couvrette.

COMMISSIONER COUVRETTE: Just one question, Mr. Chairman. At the bottom of page 7 you say:

"It can be concluded that while consumer prices have largely been maintained on a stable level in recent years, it has been possible for the retail trade to absorb increased costs in the windfall created by falling farm prices . . ."

Would that be an implication that the only reason for this absorption of increased costs would be the falling farm prices or would there be any other factor?

MR. THIESSEN: I am not sure whether I understood your question correctly.

COMMISSIONER COUVRETTE: Well, may I add these words: would you not expect to give credit for better efficiency on the part of the retailers absorbing these increased costs?

MR. THIESSEN: Well, if you would turn to page 8, Table VI, you will notice that the operating expenses per retail grocery chain store, the operating expenses increased from 12.94 per cent in 1949 to 15.32 per cent in 1955. They obviously did not maintain or lower their percentage of expenses as of total sales in that time and part of these increased expenses we felt were ---

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COMMISSIONER COUVRETTE: On the next line -- would you read the line on net operating profit -- in the same table, I mean?

MR. THIESSEN: Yes.

COMMISSIONER COUVRETTE: Which shows that they are two and four per cent down on their profits which would about compensate for the difference in expenses.

MR. THIESSEN: Yes, sir, although the dollars, the net operating profit in dollars, in absolute dollars, actually increased from about \$28,000 to \$43,000.

COMMISSIONER COUVRETTE: Yes.

MR. THIESSEN: Due to a larger difference in volume of sales. I mean, the volume of sales -- you will notice in 1949 per firm was \$950,000 whereas it increased to over \$6 million in 1955 and the larger volume of sales should permit them to operate at a lower margin, so the gross market would actually remain fairly constant in that time.

COMMISSIONER COUVRETTE: Well, with only the same services and not added services.

MR. THIESSEN: Well, I understand what you are getting at is whether or not part of the increased costs and services were absorbed as a result of accepting lower profits on the part of the retail outlets.

COMMISSIONER COUVRETTE: Yes.

MR. THIESSEN: I would say that could be



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concluded from that table but at the same time you have your index of retail prices which indicate that they actually showed a decline in that time and if the farm price had remained stable these retail indexes would certainly have gone the other direction and I believe a large share of the retail increase in retail costs was absorbed or could be absorbed as a result of the drop in farm prices, which was considerable.

COMMISSIONER COUVRETTE: Well, that was exactly my question. It would not be the only factor. There would be some other factors besides the drop in farm prices.

MR. THIESSEN: Yes, you might conclude that. I believe the figures would probably bear you out on that because the table shows that; although the rapid decline in farm prices, I believe, has been the major contributing factor.

COMMISSIONER COUVRETTE: Thank you.

THE CHAIRMAN: Thank you very much, Mr. Gleave and Mr. Thiessen, for this presentation, and for your answers to our questions. We will now recess for a few minutes after which we will hear the Saskatchewan Federation of Labour brief and we will also endeavour to hear the short brief of the Saskatchewan Poultry Association this morning.

---Short recess.



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SUBMISSION OF
THE SASKATCHEWAN FEDERATION OF LABOUR
Canadian Labour Congress

THE CHAIRMAN: We shall now hear the submission of The Saskatchewan Federation of Labour, presented by Mrs. Gertrude Kilroy, Regina Labour Council Executive Member.

Will you read the brief, Mrs. Kilroy?

MRS. KILROY: Yes, sir.

Mr. Chairman and members of the Commission:

The Saskatchewan Federation of Labour, C.L.C., is pleased to appear before you to offer our views respecting price spreads in food products.

The Federation is chartered by the Canadian Labour Congress and is authorized to deal, in the provincial scope, with all matters affecting unions affiliated to the Congress. The Federation is composed of 181 affiliated local unions and the Labour Councils located at Prince Albert, North Battleford, Saskatoon, Regina and Moose Jaw. There are 23,500 union members in this group.

Our parent Congress will, no doubt, be appearing before the Commission to make representations in detail on questions within the Commission's terms of reference. Our purpose here, today, is to deal



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only generally, with these subjects, and to consider them as they pertain to Saskatchewan.

The bulk of the Labour Force in Canada is made up, predominantly, of wage and salary earners. Even in "agricultural" Saskatchewan, the non-farm force represents about 59 per cent of a population reckoned in 1956 to be 880,665 persons. It is plain that the employee section, both in Canada and in this Province, is by far the most numerous. Therefore, the largest part of the "consumer" group is composed of workers.

When the spread between what the farmer gets for his products and the price finally paid by the urban dweller is excessive, it is obvious that it will have become more difficult for the worker to buy food - this is particularly true in the case of employees, pensioners and other groups on low incomes. Dietary deficiencies and ill-health follow, since enough food for a good diet cannot be obtained when prices are high.

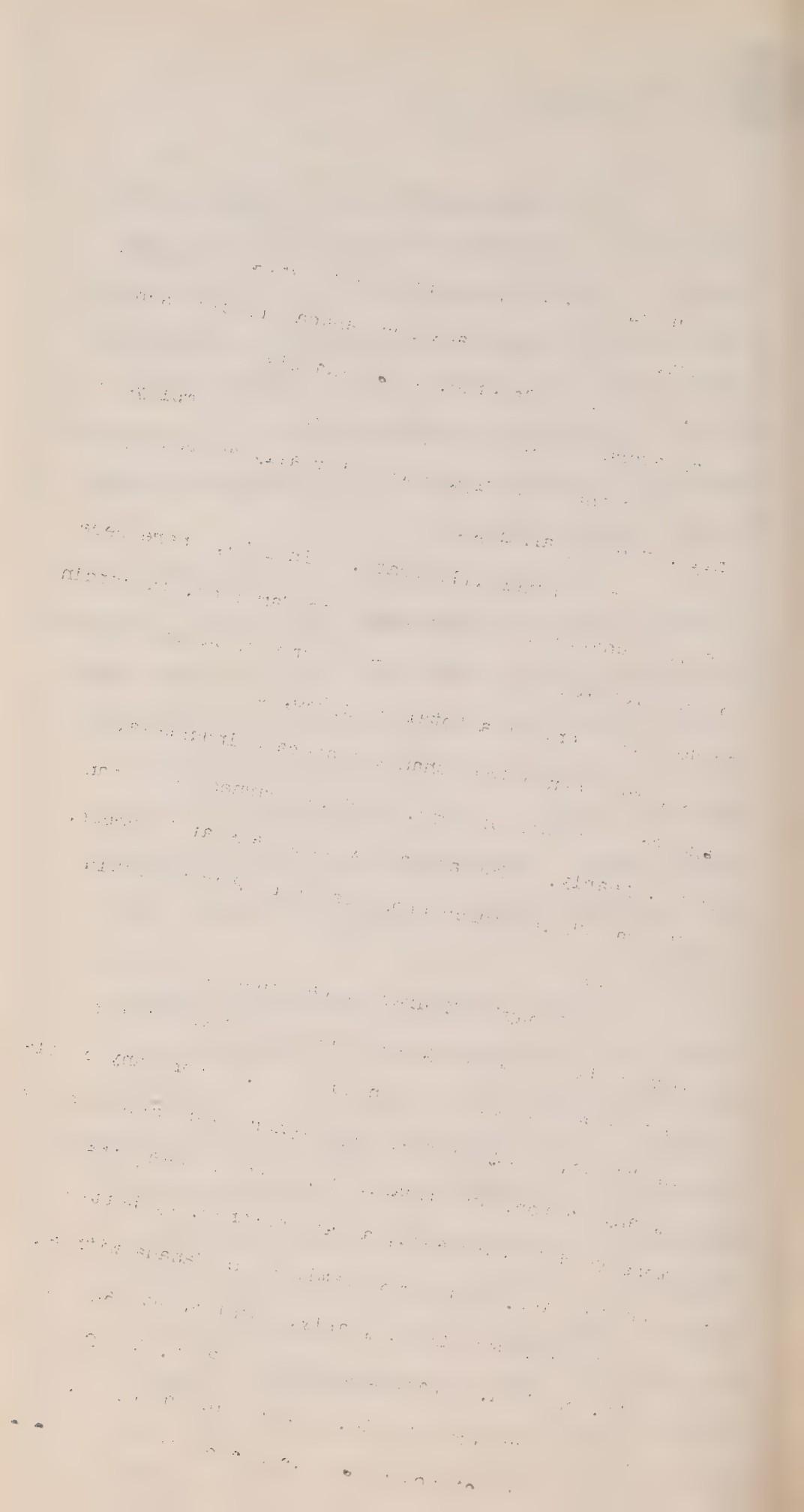
On the other hand, workers in Saskatchewan are keenly aware that the purchasing power of farmers has a substantial effect on the well-being of city dwellers. If farmers do not receive fair shares of the total price paid for food products by the consumer, it is bound to react adversely on the prosperity of those employed by urban enterprises.



Employee earnings have increased over the recent years, but, as we have said, there are many persons who are not as well off as the average suggest. The industrial composite wage for Canada, listed each month in the Labour Gazette, is an example of this. It is an average only of establishments of 15 employees and over, so that the figure is not really an average of all workers' earnings.

To further illustrate. In 1954, there were 1,823,000 unattached individuals and families, (according to DBS Distribution of Non-Farm Income in Canada, 1954), or 46.4 per cent of a total of 3,930,000 in the entire group, who earned less than the average industrial wage for December of 1954. (46.4% earned less than \$2999. yearly. The average weekly wage at December, 1954, was \$59.61 which projected for 52 weeks would be \$3100.)

Today's figures of earnings are somewhat higher, but it is suggested that the relationship just remarked upon still holds true. For many people in Canada, today, therefore, higher food prices caused by any factor, are disastrous. It is known that more food is purchased, as an instance, by better-off families. In 1953, families in Canada with an income of under \$2500. yearly, spent an average of \$744. on food. Families earning \$2500. to \$2999 spent an average of \$916.; those in the \$3000. to \$3400. bracket bought an average of \$1078. There





is also considerable evidence that lower income families, not only buy less food but do not get enough essential protective foods, e.g. meat, dairy products, eggs, citrus fruits, etc.

The foregoing information is considered important in view of evidence that an hour's average industrial wages today, will buy greater quantities of basic food than in past years. This conclusion should be qualified by what we have submitted. Use of the phrase "average industrial wage" may be very misleading. In addition, of course, it should not be forgotten that the earnings of employees must pay for other items - of which shelter is a good example - that have become inordinately high cost items. Therefore, even for employees who now get better pay than some years back, other costs may offset any advantages obtained through lower food prices.

The Saskatchewan Farmers' Union and other farm organizations in Canada, have complained that farmers do not receive as large a share of the retail price of foods as they did formerly. Comparing the year 1945 with the year 1955 for items listed by the Economics Division of the Dominion Department of Agriculture, (e.g. Beef, Canned Tomatoes, Bread, Cheese, Potatoes), this criticism is true. In the case of these articles the shares received by the farmer were less than in 1945. It is commonly accepted that the economic position of the Saskatchewan farmer has



worsened in the past six years because his prices have moved downward and his costs upward. It would be difficult then, to assign to the basic producer, the onus for higher food costs, which have climbed about 20 points in the Consumer Price Index from 1949 to January of 1958. Yet, consumers are paying higher, not lower prices which it might legitimately be thought should have resulted in view of prevailing lower farm prices.

Nor, we believe is it possible to look to Labour as the cause of higher prices for food. What facts are available indicate that per worker productivity in Canada's food industries has exceeded wage rises. Here are a few illustrations of this:

Among Food and Beverage Employees in Canada,
(see DBS General Review, Foods and Beverages, 1955). Wage and salaries rose from an average of \$1438.00 yearly in 1945, to \$2769.00 in 1955 - an increase of \$1331.00. Yet the "Value added by Manufacture Per Employee", climbed from \$3569.00 in 1945 to \$6984.00 in 1955 - an increase of \$3415.00.

Among Slaughtering and Meat Packing Employees in Saskatchewan (source - D.B.S. figures). Average yearly wages and salaries rose in this industry from \$1671.00 in 1945 to \$3510.00 in 1955 - an increase of \$1839. But the net value of production per worker rose from \$3337.00 in 1945 to \$8140 in 1955 - an increase of \$4803.00.



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Among Flour and Feed Mills Employees in Saskatchewan (D.B.S. figures). Average wage and salaries rose from \$1728.00 in 1945 to \$3316.00 in 1955 - or an increase of \$1588.00. Net value of production per worker rose from \$3434.00 in 1945 to \$10,235.00 in 1955 - an increase of \$6801.

In the opinion of the Federation the practices of the big food chains, and corporations controlling first, the retail outlets in their own purview, and, increasingly, sources which process food, are responsible to a large degree for the growing spreads in food prices. Greater profits are, we think, part of this picture. Moreover, we feel that there is probably much waste concerned in unnecessary high-pressure advertising of food products and in costlier wrappings and packaging which add to the eventual price the consumer must pay.

However, these are questions that require an accurate and searching examination which we believe will be given to these matters by the Canadian Labour Congress and other national labour bodies. We are not, therefore, presuming to deal with them in this brief.

May we respectfully direct your attention to the following which it is suggested would assist in finding solutions to the problems under consideration.



RECOMMENDATIONS

1. That Federal Combines legislation be scrutinized to ascertain if its provisions are adequate to control centralization and monopoly tendencies in Canada's wholesale and retail food industry which may work contrary to the public interest; and that the Commission recommend appropriate means of control if present legislation is inadequate.
2. (a) That a Consumers' Welfare Agency be created at the Federal level that will provide the public with full and complete information on all aspects of wholesale and retail food sales, including facts on the ownership and control of firms engaged in this activity.
(b) That this Agency be authorized and empowered to report on practices in the food industry which increase the price of foods to the consumer by such means as expensive packaging and advertising, brand duplications, etc.
(c) That this Agency provide the public through the avenues of mass communication, with all possible information on food products and advertised brands from the viewpoint of nutrition, food value and general worth.



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3. That encouragement and greater assistance be given by the Federal Government to the creation of producer marketing agencies in Canada to offset the power of large corporations in the food business.
4. That a system of grading meat products be required of the packing houses to ensure that both producers and consumers are fairly treated; as well, that all abattoirs be placed under Federal meat inspection control.
5. That this Commission determine the approximate number of Canadians, who by reason of low purchasing ability, are not able to secure enough of the essential foods for an adequate and healthy diet; and thereupon make appropriate recommendations as to how this situation might be alleviated.

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The Federation would like to express appreciation for the hearing given to our brief by the Commission. We trust our representations will assist your deliberations and we hope our suggestions will receive your favourable comment.

Respectfully submitted,

The Executive Council,

Saskatchewan Federation of Labour,
S.L.C.



I would like to introduce to you Mr. Ivan Moore, who is the Secretary-Treasurer of the Saskatchewan Federation.

I might say that this hearing has come at a very bad time for unionists. Mr. Bill Davies, who is our Executive Secretary of the Federation, as well as our President Mr. Fred McClelland, are both in Winnipeg attending the convention.

This brief was just given to me a short while ago and I have not been cued on it so I am afraid I will not be able to answer any questions or inquiries. Therefore Mr. Davies instructs me to tell you that he will be glad to answer any questions by mail.

THE CHAIRMAN: Thank you, Mrs. Kilroy. We understand your situation. We will not press questions on you.

---EXHIBIT NO. 31: Submission of the Saskatchewan Federation of Labour, C.L.C.

THE CHAIRMAN: I am not sure whether Mr. Kidd would like to say anything. If he wishes he may do so at this time.

COMMISSIONER KIDD: No, I think not.

THE CHAIRMAN: We know the Congress is meeting at Winnipeg. As a matter of fact Mr. Kidd should be there himself but he is here with us. Will you express our thanks to Mr. Davies?



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MRS. KILROY: I will. Thank you very much.

THE CHAIRMAN: Is Mr. Harrison here?

MR. HARRISON: Yes.

THE CHAIRMAN: And Mr. Campbell?

MR. HARRISON: Yes.

THE CHAIRMAN: We will hear the brief of the Saskatchewan Poultry Association.



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SUBMISSION OF
THE SASKATCHEWAN POULTRY ASSOCIATION

MR. HARRISON: I have Mr. Campbell with me, the Chairman of the Poultry Association. You will note the brief I am presenting is more or less in the form of a letter to your Secretary and I will just read it.

I have been requested to submit to you the following statement on behalf of the Saskatchewan Poultry Association.

The Saskatchewan Poultry Association notes with considerable interest the fact that the Government of Canada has appointed a commission to study price spreads and that hearings will be conducted at various points across Canada.

The average farmer feels that the price which he receives for his produce in relation to what the consumer pays is away out of line. At the present time egg grading stations in Regina are paying the producer 30 cents per dozen for Grade A Large eggs, the consumer is paying .48 cents per dozen in the stores, a spread of 18 cents. For B eggs, the producer is receiving 18 cents and they are retailing at 36 cents, again a spread of 18 cents. Regardless of the price received by the producer, the middleman maintains his margin.



The weighted egg price in Saskatchewan for this year now stands at 24.2 cents per dozen. Since the middleman has been getting approximately 18 cents this is almost as much as that received by the producer despite the fact that he has all the expense of raising the birds, housing and fattening them and gathering, cooling and preparing the eggs for market and finally delivering them to market.

Unfortunately the Saskatchewan Poultry Association is not in a position to say whether or not the spread taken by the middleman is excessive or not. Our Association does not have access to actual costs and therefore is not in a position to pass judgment; however, it is felt that the producer should also have some assurance of receiving at least his actual cost of production and if he is going to remain in the business an adequate return for his labour.

It is quite apparent that the producer does not have adequate bargaining power and that there is a need for either a producer controlled marketing board or a marketing board set up by the Federal Government which would assist in maintaining a fair price to the producer.

Through a marketing board there would be further control on the packaging and grading of the product which would indirectly benefit the producer.

There is a lack of statistical information



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on marketing and production costs. An effort should be made to obtain these costs and research and study carried out as to how these costs might be reduced.

Greater attention should also be directed towards market demands so that the producer would be in a position to regulate his production according to these demands. This might involve producer control over storage surpluses.

The Saskatchewan Poultry Association fully approved the present commission on price spreads and will be prepared to assist the commission in every way possible. We are confident this commission is designed to find ways and means of reducing the consumer price at the same time assuring the producer a fair return for his efforts.

Trusting that the above will receive consideration by your Commission.

H. A. Crofford,

President.

---EXHIBIT NO. 32: Submission of the Saskatchewan Poultry Association.

MR. HARRISON: I am actually submitting this on behalf of the President Mr. Crofford.



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THE CHAIRMAN: Mr. Harrison, you are a member of the Saskatchewan Poultry Association?

MR. HARRISON: That is correct.

THE CHAIRMAN: Would you tell us something about its composition and membership?

MR. HARRISON: I might just refer that question to my secretary here. He has worked quite closely with it.

MR. CAMPBELL: Well, the Saskatchewan Poultry Association is made up of about 1200 poultry producers, and they are mostly the larger producers of the province. They take in mostly the approved flocks, hens that are shipped to the hatcheries, and there is actually about 1200 members. Mr. Harrison was at one time a director of the Poultry Association.

THE CHAIRMAN: Thank you. We understand that there will shortly be a plebiscite in connection with the establishment of a marketing board in the province. Is this correct?

MR. HARRISON: That is correct.

THE CHAIRMAN: Are you in a position to tell us something about the manner in which the plebiscite will be conducted, and the requirements in terms of producer support if the board is to be put into effect?

MR. HARRISON: I don't think I am in a position to just state definitely on how the



plebiscite will be taken except I note that 65 per cent must approve of the final vote before it would be put into effect, but the actual voting and registration I don't think possibly has been cleared yet.

THE CHAIRMAN: In other words, it is not clear at the moment what 65 per cent means, that is who are eligible?

MR. HARRISON: That would be correct.

COMMISSIONER DRUMMOND: I believe, Mr. Harrison, the press statement indicated that all producers whose eggs entered commercial channels were eligible, irrespective of the size of their flocks. I am just wondering if that is correct?

MR. HARRISON: That is correct, yes, any producer that has marketed eggs this past twelve months would be entitled to vote.

THE CHAIRMAN: In evidence presented to us yesterday, we were surprised at the very high percentage of under-grade eggs coming off farms in Saskatchewan. What do you feel the explanation for this is?

MR. HARRISON: Possibly some more education among our producers to encourage them to produce a higher quality product.

THE CHAIRMAN: Is the large proportion of the eggs moving into commercial channels from small farm flocks?



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MR. HARRISON: I would ask my secretary to answer that.

MR. CAMPBELL: Yes, we have approximately sixty thousand poultry producers in the province, and according to the census figures of 1956 about forty thousand of those producers had less than 75 birds, so that about twenty thousand of them have over 75 birds in the flock, and there is not too many of them over 500, probably 25 or 30 in the province, so that the majority of our flocks are quite small. What the average would be is rather difficult to say, but I doubt if it would reach 100 birds.

THE CHAIRMAN: My understanding is that in some places there has been a tremendous revolution in poultry industry with the development of very large producing units. I gather this has not developed to the same extent in this province that it may have in other places; is that so?

MR. CAMPBELL: There is a trend in that direction, particularly around the larger cities. There is quite a trend here in Regina toward larger flocks. We have several here now of two and three thousand birds, but we actually haven't too many large cities, and population is considerably rural too.

THE CHAIRMAN: Further in evidence obtained yesterday, there was a suggestion that there



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was inefficiency in the marketing of eggs as a result of undue number of grading stations. This is a very large question, Mr. Harrison, and if you don't wish to tackle it, please say so, but I gather from your brief that you and your Association will be supporting the plebiscite for the setting up of marketing boards?

MR. HARRISON: Yes.

THE CHAIRMAN: My question is, could you tell us some of the changes which you would expect would occur under board operations which might rationalize the marketing process and result in greater returns to the producer?

We usually stop at twelve-thirty.

MR. HARRISON: The question raises a large problem, and I will try to be brief on this question. The brief points out where the producers around Regina are receiving 30 cents a dozen for their eggs. I live down in the Moosomin area where the price is less than that. Our price under support programme is 29 cents, and last year it was down as low as 27 cents, and we have a lot of the small flocks down in that area.

The producers' attitude towards this marketing board is that surely if we do something different it cannot be any worse than we have now, that through a cooperative effort surely we can do something to improve the price to the producer.



With that in mind I agreed to go on with a provisional committee to formulate a plan in order to bring about a marketing board, and resume the production, the surplus that has been produced in recent years. We found that it ranges up to 5 per cent in one or two years, and normally it is around three per cent, and with the organization of the marketing board, and with a per unit demand per dozen, possibly a cent a dozen, that we could build up a fund that might adequately remove this surplus, which seems rather insignificant, off the market and possibly maintain a little higher average price.

Now the powers of the board, at least the board has powers to set minimum and maximum prices, and watching the trend of prices throughout the year, and I expect to experience it again this year, possibly there will be a fluctuation of from 20 to 30 cents a dozen within the twelve months' period, and we feel that a consumer has a resistance to this wide fluctuation in the price of eggs. He will possibly stand a fluctuation of 10 cents and not complain too much, but when you get up to 15 and 20 and 30 cents a dozen, then you definitely find a consumer resistance of eggs. It might be the same as a package of cigarettes. Now a package of cigarettes is pretty expensive at 42 cents, but we buy them. Now if those same cigarette fluctuate at, say, 30 cents a dozen through the year



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there would be a riot in our house if I continued smoking. I would have to quit buying them, I presume, but that is what is going on in eggs.

We allow these things to come in to interfere with the consumption of eggs because the price is fluctuating too widely. With the marketing board we feel that we can do something in that direction to possibly take out some of these wide fluctuations that we find entering into the price of eggs.



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We still have a lot of hungry people in the world that like to eat eggs. We would have to look around for some export markets to put them in. We would have to subsidize from the fund we create on the market surplus. That would be one of the purposes of the fund, to subsidize exports.

THE CHAIRMAN: Would you anticipate much change in the organization of the marketing system?

MR. HARRISON: Well, it is our intention at the present time to license all present handlers of eggs for the physical handling of the eggs. We would have something to say about price and the direction of the movement of eggs in our area.

THE CHAIRMAN: You think there are some economies that could be effected by this centralized direction of the flow?

MR. HARRISON: I hope so.

COMMISSIONER DRUMMOND: Supplementary to what the Chairman has just said, Mr. Harrison, have you any thought as to the possibility of reducing the number of grading stations from 94, I believe it is, to some sort of integrated effort?

MR. HARRISON: We have not too much precedence to go by on this question except I have had some experience. I am a member of the Saskatchewan Wheat Pool Board. I know something about negotiations for handling charges with the Canadian Wheat Board.



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As I see it our Board would be directing -- as a matter of fact it would negotiate with present handlers of eggs on the handling spread of eggs.

I expect we would be negotiating for as small a handling spread as we could get away with and they would be on the other side and trying to get as much as they could. I think through that form of competition maybe some of them might be eliminated. I would not like to say for sure though.

COMMISSIONER DRUMMOND: Would there be any possibility at all of eliminating or reducing the current practice of shipping eggs to the local stores and having them shipped on from there?

MR. HARRISON: I think that may be rather difficult to stop although possibly the board may handle eggs received by the stores in a different manner from what they are being handled at the present time.

COMMISSIONER WALTON: That might improve the quality that we heard about yesterday. They assemble them in small stores.

MR. HARRISON: We have that in mind. We do not think that is a good product to put in the market shelf. There is another market for that class of product.

COMMISSIONER WALTON: Is it your intention to include, say, the summer shipper, the small flock owner, who just sends in his eggs for this period and who is not really perhaps in a position to ship eggs in the



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wintertime; will he be available for membership or participation or licensing or whatever it is?

MR. HARRISON: We actually have not progressed that far. That is something we will have to do by experience. If you find there is a more efficient way of handling that problem perhaps the Board will take a look at it.

COMMISSIONER WALTON: I was wondering if the seasonal farmer who sends in a few eggs would be on this body.

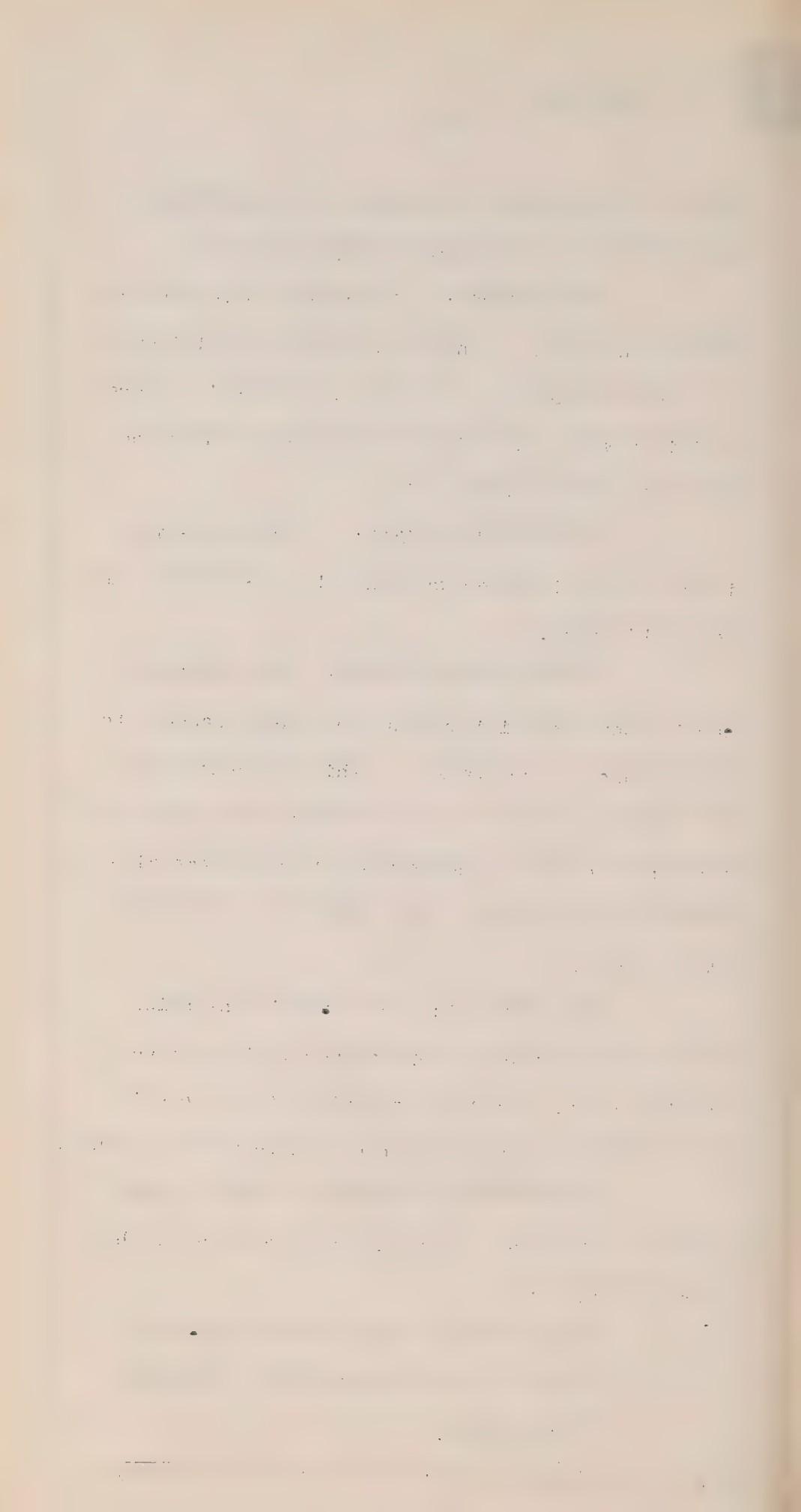
COMMISSIONER DRUMMOND: You mentioned earlier that the minimum cost for B eggs happens to be the same as for Grade A, I think 18 cents was the figure. Would you hope through board action or through some form of negotiation to make some difference in the width of the spread for a different kind of eggs?

MR. HARRISON: We state in the brief we are not prepared to say whether it is a proper margin or not. That is something, if we were in the business, we would be able to have a look at that.

COMMISSIONER COVRETTÉ: That is, the margin is the same. In the last sentence of the paragraph you say:

"Regardless of the price received by
"the producer the middleman maintains
"his margin."

Why should there be a difference in margin between





Grade A and Grade B, except for the added capital necessary?

MR. HARRISON: I do not know --- that line may be placed there for sympathy of the handler but if the price comes down maybe he could be a little more sympathetic to the producer.

COMMISSIONER COUVRETTE: Would you not say that handling and selling a dozen Grade B eggs is just the same as handling and selling a dozen Grade A eggs, as far as the cost is concerned?

MR. HARRISON: I think that would be right.

COMMISSIONER COUVRETTE: Would that not be right in many other products in the food business? That is perhaps not a very fair question for you.

MR. HARRISON: There may be a reduced cost in handling B eggs. It is a lower class product. He would not have to look after it to the extent he has to with the A Grade in order to maintain its A Grade.

COMMISSIONER COUVRETTE: There might be a very slight difference?

MR. HARRISON: Yes.

COMMISSIONER MacKICHAN: Just one or two questions, Mr. Harrison. You mention the education of the producers. If you would give them the general information that is needed from the production cost point, could you have anything more effective and salutary than the difference in price that exists



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between Grade CA eggs?

MR. HARRISON: I do not think we were questioning the price spread. The price spread could be correct or it may be wrong.

COMMISSIONER MacKICHAN: No, I was not thinking of that but that that difference is there. You could take 12 cents instead of 30. You would think that would educate him fairly quickly.

MR. HARRISON: Yes, I think that possibly if producers have their own organization, if we tell the producers that is the information coming from any other source, I think possibly he will be more acceptable to that type of education. Actually it is easier to house possibly 50 hens than it is 5,000, so it is rather difficult for me to understand why 50 birds cannot produce just as high a quality as a thousand, and I believe they could.

COMMISSIONER MacKICHAN: I do not think there is any question but that 50 birds would produce just as high quality but they are a small number. You cannot get the extra market. I am just wondering about the small flocks. I think there will be flocks of less than four or five hundred and they will always be a problem.

MR. HARRISON: You could possibly be correct.

COMMISSIONER DRUMMOND: You do feel, Mr. Harrison, that a large percentage of what you



might call low quality eggs, that low quality is there when the eggs actually leave the producer rather than come into existence later on?

MR. HARRISON: In some cases that would be correct and I would think that would be part of our educational programme. Perhaps part of the education would be that 50 birds is not sufficient now. If you are going to get into this thing you should have one hundred or more.

COMMISSIONER MacKICHAN: You mention a surplus of three to five per cent and it has been our experience in marketing that a surplus such as that may well affect the prices and markets out of all proportion to its volume in relation to the total quantity.

MR. HARRISON: Yes.

COMMISSIONER MacKICHAN: Sometimes it is quite a job to take care of a small surplus like that.

COMMISSIONER COUVRETTE: Mr. Harrison, in this letter you state that the average farmer's price is away out of line to what the consumer pays. Of course, you are referring to the small part of the dollar share. Nowhere in this letter are you saying that the producer does not get enough. Would you be ready to state and say that the producer is not getting enough, or is he getting enough?

MR. HARRISON: I would be ready to state that the producer is not getting enough. I think Mr.



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Campbell can supply you with some figures of costs and average returns in the past years if you would care to have them.

THE CHAIRMAN: We would be interested in having some assistance in that line.

MR. CAMPBELL: We have an address given by Mr. Payne and he has compiled some figures with the assistance of Professor Hadley Van Bleek of the University of Saskatchewan at Saskatoon, and according to that the cost of production, it costs 21.3 cents per dozen. Of course, it is pretty hard to say -- they can vary a lot, depending on the production, the cost of feed at various points, but those are the figures that we have been given.



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THE CHAIRMAN: Are these figures published?

MR. CAMPBELL: Yes, we can give you a copy of this report.

THE CHAIRMAN: Thank you. If you would give it to Mr. Dawson we would be glad to have it and look at it.

COMMISSIONER DRUMMOND: There is no possibility, is there, of you supplying us with price figures for this area showing the price over a considerable period, how they have varied and how the spread has varied?

MR. CAMPBELL: Yes, I think so. You mean at the grading stations?

COMMISSIONER DRUMMOND: Yes.

COMMISSIONER MacKICHAN: Is this figure of 21 cents at the farm?

MR. CAMPBELL: That would be at the grading station.

THE CHAIRMAN: Thank you very much, Mr. Harrison. We are grateful to you for coming forward with this brief.

MR. HARRISON: Would you be interested in a copy of our marketing board plan?

THE CHAIRMAN: Yes, if that is set out in some form we would be very interested.

COMMISSIONER DRUMMOND: When is the plebiscite to be taken?

MR. CAMPBELL: The date has not been



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announced but I anticipate it will be the 23rd of June.

THE CHAIRMAN: Thank you very much. We will now adjourn for lunch and hear from the Co-operative Union of Saskatchewan and the Federated Co-operatives Limited this afternoon at two o'clock.

EXHIBIT NO. 32-A: Submission on Economics of the Poultry Enterprise.

EXHIBIT NO. 32-B: Booklet, The Natural Products Marketing Act, Saskatchewan.

EXHIBIT NO. 32-C: Proposed plan for marketing eggs, Saskatchewan Poultry Association.

---Whereupon the Commission adjourned until 2.00 p.m.



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---On resuming at 2.00 p.m.

THE CHAIRMAN: If you will come to order we will now hear a submission on behalf of the Co-operative Union of Saskatchewan, which will be Exhibit No. 33. Who is presenting the brief?

MR. FOWLER: May I make a brief opening statement? These two briefs cover the same subject. We believe that time would be saved if we were to read the two briefs and then subject ourselves to examination from the Commission, because the briefs are covering the Co-operative movement.

THE CHAIRMAN: That would be quite satisfactory, if we might hear from Mr. Hamilton first.

MR. FOWLER: Yes, and I will read the second brief.

---EXHIBIT NO. 33: Submission of The Co-operative Union of Saskatchewan.



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SUBMISSION OF
THE CO-OPERATIVE UNION OF SASKATCHEWAN

SUBMISSION OF
FEDERATED CO-OPERATIVES LIMITED

MR. HAMILTON: Mr. Chairman and members of the Commission, the Co-operative Union of Saskatchewan certainly appreciates the opportunity of presenting this brief to you and appearing before you.

The Co-operative Union of Saskatchewan is a provincial organization representing the amalgam of co-operative enterprise in the Province of Saskatchewan. Included in its membership are the local consumer co-operative associations, the provincial co-operative organizations -- such as the Saskatchewan Wheat Pool and Federated Co-operatives Limited, and federations of other production and service co-operatives. It also includes some educational organizations, such as Saskatchewan Co-operative Women's Guild, the Le Conseil de la Co-operation de Saskatchewan and in addition, provincial representatives of interprovincial or national co-operatives.

Co-operative enterprise in Saskatchewan embodies a wide variety of co-operative organizations

in the marketing, production, consumer, manufacturing, distributing, financial, insurance and service fields. While the operation of all of these types of co-operatives may not come directly within the terms of reference of this Commission, they do nonetheless form a basic part of the Co-operative movement as a whole and are therefore included in a brief analysis of the net economic value of the movement to the people of Saskatchewan.

The following table indicates the dollar value of services rendered by co-operatives in Saskatchewan in selected years between 1950 - 1956.

	1950-51		1952-53		1954-55		1956-57	
	\$000	%	\$000	%	\$000	%	\$000	%
rain Marketing								
ther Marketings	164,949	46.2	281,546	52.7	148,509	35.0	179,134	36.9
istributing	71,723	20.1	64,672	12.2	65,424	15.4	67,543	13.9
consumer	21,715	6.1	30,781	5.8	36,635	8.7	52,237	10.8
redit	35,644	10.0	46,672	8.7	53,432	12.6	61,510	12.7
ervice	13,458	3.8	23,818	4.5	29,734	7.0	37,565	7.7
roduction	48,812	13.7	85,684	16.0	89,996	21.2	86,940	17.9
	380	.1	752	.1	405	.1	709	.1
	356,681	100.0	533,925	100.	424,135	100.	485,638	100.

The total figure of services rendered by all co-operatives includes the value of products handled by marketing co-operatives, goods sold by merchandising co-operatives, policies issued by insurance co-operatives and loans made by credit associations. The estimated earnings, or excess of revenue

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over expenditures are shown in the following table for the years 1951-52 to 1956-57.

Earnings of Saskatchewan Co-operatives - 1951-52 to 1956-57

1951 - 52	\$ 12,262,408
1952 - 53	14,474,382
1953 - 54	12,733,407
1954 - 55	10,209,188
1955 - 56	11,751,073
1956 - 57	13,666,217

Since many of the enterprises referred to and included in these tables do not apply specifically to the cost-price relationship under review, the following discussion will refer largely to the commercial activities of the marketing or producer co-operatives and the consumer or retail co-operatives.

History and Development of Marketing Co-operatives:

The stature of co-operative enterprise in Saskatchewan reflects the efforts of hundreds of thousands of individuals dedicated to gaining some control over their economic destinies. As may be seen from the foregoing tables, the major portion of co-operative enterprise is in the field of marketing of agricultural products. While this situation will undoubtedly exist for some time in the future, it is anticipated that other types of co-operatives, particularly consumer co-operatives, will expand greatly and be a more significant part of total co-operative



activity.

Historically co-operative action in grain marketing was the beginning of widespread farmer co-operative enterprise in Saskatchewan. The fight of the farmers, shortly after the turn of the century, to gain better returns on their primary product resulted in the establishment of the Grain Growers Grain Company in 1907. The subsequent establishment of the Saskatchewan Co-operative Elevator Company in 1911, and the provision of farmer owned facilities did much to improve the producer's lot in controlling his produce further through to processing. While the fledgling wheat pools in the prairie provinces had their problems, the history of events had conclusively shown that the pooling of wheat improved the bargaining power of the farmer and progress was continually made gaining a stronger hold on the grain marketing situation. In the light of experience with the use of a wheat board in wartime and recognizing its positive influence on income stability the Canadian Wheat Board was confirmed in 1948 as a sole marketing agency for commercial wheat.

The effect which the Saskatchewan Wheat Pool has had in improving the economic position of the western Canadian farmer cannot be measured solely by the patronage dividends which have been refunded to the farmer. Nonetheless, the Wheat Pool during the past 33 years has distributed net earnings of



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\$75 million to farmer members -- some \$47 million of which has been paid in cash. However, important as they have been, patronage dividends, in no way reflect the entire influence which the Saskatchewan Wheat Pool, in conjunction with other grain marketing co-operatives, have been in procuring a more equitable marketing system for all western Canadian farmers regardless whether or not they are supporters of the organization.

Although the grain growers represented the first widespread co-operative endeavour, the dairy co-operatives had been in existence in certain areas of the territory before Saskatchewan was established as a province. The Saskatchewan Co-operative Creamery Association is the present organization resulting from a federation in 1917 of individual creameries. Considerable reorganization took place in the 1930's, and the Saskatchewan Co-operative Creamery is now the largest single handler of butter, milk and poultry products in the province. The Saskatchewan Co-operative Creamery in 1956 had some 70,000 members, \$19 million dollars of sales, and between 1946 and 1956 returned some \$3 million in patronage refunds to farmer owners.

The Saskatchewan Dairy and Poultry Pool, an amalgamation of the original Poultry and Dairy Pools, operates in a more confined geographical area, and in 1956 had a membership of some 40,000 and sales



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of \$5½ million. While no figures are readily available on total net of allocations of surplus since inception, the Dairy Poultry Pool in 1957 refunded some \$80,700 patronage refunds to its members.

The Saskatchewan Forage Crop Growers Co-operative in northern Saskatchewan, organized in its present structure in 1939, although a small marketing co-operative relative to other provincial organizations, has been of inestimable value to the localized area in which it operates. Since 1939, the Forage Growers Co-operative has made sales of \$13 million and returned to its members all of the charges above the cost of service.

In addition to the major marketing co-operatives referred to, there are a few other marketing associations such as the Saskatchewan Honey Producers Co-operative and the Saskatchewan Co-operative Hatchery.

The aims and objects of all of these co-operatives are to provide a service at cost to the members in the marketing and/or procession of products, to strengthen the individual's bargaining power, and to improve product quality and also to improve marketing methods. Some indication of the value of these organizations to the people of the province will be recognized by the fact that in 1956, Saskatchewan Marketing Co-operatives handled some 42 per cent of all eggs marketed, 56 per cent of the



poultry, 68.5 per cent of dairy products, 57 per cent of the sheep, 31 per cent of the hogs, 50 per cent of cattle and calf marketings and 53.2 per cent of grain marketings. In total some hundred odd million dollars in patronage refunds have been added to the income of Saskatchewan farmers over what they would have received through non-cooperative types of marketing organizations. In addition to patronage refunds since such a large proportion of produce is marketed through co-operative channels, the Saskatchewan farmer has been able to have a more definite influence in the competitive economy, and together with co-operatives in other provinces, has been able to gain increased influence in the market place and trade circles.

Consumer Co-operatives:

At the same time as the Saskatchewan farmer was building a co-operative marketing organization through which he could get the maximum proportion of the sales dollar for farm produce, he was aware that as a consumer he had no control over the cost of goods necessary for his productive enterprise. In 1914 a number of consumer, or farm supplies co-operatives, were organized. These co-operatives combined the shipping of livestock with the purchase of farm supplies in bulk. A number of these associations expanded to include co-operative store service. Although there has been some consolidation of associations,



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there were in 1956, 396 associations with either or both retail stores and bulk commodity outlets.

Since 1914 total sales of consumer, production and service co-operatives has amounted to \$690 million (practically all of the sales and savings were by consumer co-operatives) with savings of some \$35 million being distributed to member owners. Much of the consumer co-operative business has been in the past ten years with 1947 to 1957 sales amounting to \$500,400,000.

As the number of local co-operatives increased the need soon became evident for a central wholesale organization to provide goods and services for the local co-operatives. In 1928, the Saskatchewan Co-operative Wholesale Society was organized. The attached brief from Federated Co-operatives Limited details the objects, organization and scope of Federated Co-operatives.

Sales of the Manitoba Co-operative Wholesale and Saskatchewan Co-operative Wholesale and more recently of Federated Co-operatives Limited (since the former two have been merged) have since 1928 amounted to \$404,787,000, with a net saving to member owners of \$18,590,000. \$339.3 million of those sales have been in the years 1947 to 1957 inclusive and \$14,700,000 of the savings have accrued in the same years.

Included in the financial results of



Federated Co-operatives Limited is the result of the operation of the Consumers Co-operative Refinery as well as other co-operative manufacturing and processing plants in which Federated Co-operatives has an interest. The Consumers Co-operative Refinery established in 1934 represents a remarkable co-operative success story. A few local associations in the Regina area had been providing a valuable service to members in distribution of petroleum products. When the refining industry began consolidating, farmers realized that unless they were content to be dependent on a few major refineries some action had to be taken. From a beginning in 1934 of a \$35,000 refinery, the Consumer Co-operative Refinery now is a 16,500 barrel catalytic cracking plant and in 1956 produced some 112,000,000 gallons of fuel.

The effect of the entry of the co-operative refinery into the retail petroleum market field is best illustrated by the following passage taken from "Prairie Progress" by Jim F. C. Wright:

"While the 1939 wheat crop in Saskatchewan was large, it did not bring increased purchasing power to the farmer, due to increasing wartime prices of consumer goods and failure of wheat prices to rise proportionately. Throughout the entire period of prairie farmers' organizations, the struggle for a better price for farm products was evident in conjunction with the



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the continuous agitation for lower prices of the means of production. While the actual operation of the co-operative refinery required much of the time of officials directly concerned, they did not neglect to join in petitioning the Canadian Government for lower tariffs on crude oil. As an example in this regard, the secretary of the Consumers Co-operative Refineries Limited, in a letter of May 11, 1940, to the Honourable Colonel J. L. Ralston, Minister of Finance, wrote as follows:

"I think it is fair to say that gasoline, more than any one single commodity, has been before the public eye in Canada in respect to its cost to the consumer. Enquiries have been held by the Canada Tariff Board, the Banking Committee of the House of Commons, as well as several provincial legislatures. Recently the Government of the Province of British Columbia, through their Fuel Products Control Act, have endeavoured to arbitrarily reduce the price of gasoline. As you probably have observed, the order was a reduction of three cents, but they compromised on a reduction of one cent. In eastern Canada, trade journals report that, since the war broke out, there have been two price increases.

"The Province of Saskatchewan, however, tells an entirely different story, because, since



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hostilities began in Europe last September, there have been three price decreases in gasoline in this province. As a matter of fact, the major oil companies are selling certain grades of tractor gasoline in the Regina area at a lower price than the posted price for the same product in Calgary, which is right on top of the oilfields.

"Nine years ago, a number of co-operative associations were formed for the purpose of purchasing gasoline in tank cars from the major companies, and distributing it on a co-operative basis to their members. Savings in this fashion were quite substantial. However, in the fall of 1933, and the spring of 1934, certain independent refineries in Saskatchewan were bought by the major oil companies, and the wholesale or tank car prices of petroleum products immediately increased as much as three cents per gallon.

"The answer of the farmers in the Regina area was to build their own refinery, and we maintain, and think there is good reason for so doing, that the gasoline situation in Saskatchewan, as compared to other provinces, is directly attributable to the fact that the farmers subscribed the capital, own and operate their own refinery, and control the spreads between the cost of crude oil and the sale price of gasoline.

"In 1930, before the co-operatives were a



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factor in the field, the spread between a gallon of crude oil and a gallon of gasoline in the Regina area was 17 cents. Last year, through forcing down the base price, and through the medium of co-operative refunds on purchases, this spread was reduced to $6\frac{1}{2}$ cents for the same type of gasoline."

The brief of Federated Co-operatives Limited further delineates the areas of operation, manufacturing, etc., and will indicate that consumer co-operatives are a real and vital factor in reducing price spreads by their action in repayment of "over charges" on consumer goods. Marketing co-operatives on the other hand guarantee the producer the maximum of the produce dollar so that in essence co-operative marketing and co-operative purchasing represent the best available means at present of narrowing the price spread. Further because co-operatives have found that maximum savings are made in the manufacturing level of the operation, it is evident that further expansion in this field will do much more to reducing the spreads between the producer and the consumer.

Increased entry into the manufacturing and processing fields, however, is highly dependent on the will of the consumer member to make capital available for expansion. The speed with which this development takes place depends on the level of understanding by the public generally, of the characteristics of co-operative ownership and development.



Co-operative enterprise while it has already made a significant contribution in narrowing the spread between the producer's price and the consumer cost, can go much further as it attains a position where it has a more definite influence in the national economy.

The Future of Co-operation
and its Effect on Price Spreads:

Co-operative business, particularly retail business, is but a small percentage of total national business. In spite of this fact, co-operatives have had a very real effect on price spreads on those commodities in which it has been involved in either co-operative marketing or distributing.

Co-operative enterprise in Canada will expand and in so doing, it will have a more marked effect on the distributive sector of the economy, including producer-consumer price spreads.

Just how extensive co-operative enterprise will become and how soon it will become a strong influence in the national economy are as yet open questions. However, if the situation in some of the older European countries can be used as a guide, considerable co-operative retail expansion can be foreseen. For example, in Denmark, co-operatives are reported to handle about 30 per cent of the retail grocery trade; in Sweden, 25 to 30 per cent of total retail trade in foodstuffs; in Great Britain,



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12 to 15 per cent of total retail trade; in the German federal republic, 8 per cent of all sales of household necessities; and in France, 8 per cent of retail sales of foods and wine.

In addition to the fact that co-operatives influence price spreads by returning patronage dividends to both the producer and consumer members, they also influence consumer costs by having production definitely related to consumer requirements. Again if co-operative membership is expanded to approximate any of the national percentages of 30 per cent in Great Britain, 35-60 per cent in Scandinavia, 45 per cent in Switzerland, 20-25 per cent in Germany, 25 per cent in Holland and 20 per cent in France, then the relationship of production to consumption will be more realistic.

The proper functioning of co-operatives implies a continuous understanding by the members of the business involved. This aspect that of business education and economic understanding may well be one of the real values of co-operative membership. To the extent that a considerably expanded membership has some knowledge about costs of production, distribution, transportation, wholesale and retailing, there will be less likelihood of unreasonable price spreads appearing or being tolerated.

As to how rapidly and effectively co-operatives are developed depends on how readily the



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members of the general public are willing to unite and pool their skills and resources. Mutual self-help as producers and consumers has done, and will do much more to control, some of our economic problems including price spreads. In fact economic controls by co-operatives, which are directed from the bottom to the top, would appear to be much more democratic than controls which might be imposed from the top down.

All of which is respectfully submitted.

THE CHAIRMAN: Thank you, Mr. Hamilton.

Mr. Fowler, will you now read the brief from the Federated Co-operatives Limited.

MR. FOWLER: Thank you, Mr. Chairman and members of the Commission.

Federated Co-operatives Limited, with head office in Saskatoon, major branches at Saskatoon, Regina and Winnipeg, and distributing warehouses at Tisdale, Yorkton and Swift Current, Saskatchewan, is a wholesaling and manufacturing organization owned and controlled by local co-operative associations to supply them with a wide range of goods, wares and merchandise.

History: Saskatchewan Co-operative Wholesale Society was incorporated by a Special Act of the Saskatchewan Legislature in 1929. Consumer Co-operative Refineries Limited was incorporated by Special Act of the Saskatchewan Legislature in



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1934. These two organizations, being owned by practically the same group of local co-operative associations, were merged in 1944 to form Saskatchewan Federated Co-operatives Limited. The Manitoba Co-operative Wholesale was incorporated by Special Legislation in 1928, and was merged with Saskatchewan Federated Co-operatives Limited in 1955, to form the present organization, Federated Co-operatives Limited.

Ownership: Federated Co-operatives is owned by local co-operative associations, and others, situated from the Great Lakes to the Alberta border. The area is divided into 15 electoral districts, which elect delegates and directors to form the governing body of the organization. Its membership is as follows:

(a)	Co-operatives which procure for their members needs	489
(b)	Other regional co-operative wholesales	5
(c)	Other co-operatives (such as the Pools in Manitoba and Saskatchewan) which buy for their own consumption	25
(d)	Nonprofit institutions (such as School Units, Municipalities, Colleges, Hospitals, Government Purchasing Agency, Government Corporations), which buy for their own consumption	77



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Total membership of Federated Co-operative Limited

596

Sales Volume: In the fiscal year ending October 31, 1957, the organization had a total volume of \$50,231,062. Percentagewise in commodities this was divided as follows:

Petroleum	47.28%
Groceries	18.22%
Hardware	12.93%
Lumber, Coal and Wood	12.57%
Feed, Flour & Fertilizer	7.02%
Dry Goods	1.98%

Since incorporation, Federated Co-operatives Limited, and its predecessors, have transacted a total sales volume of \$404,787,086.

Savings Record: In the fiscal period October 31, 1957, the organization, on sales of \$50,231,062, had a net savings, after income tax, of \$2,076,790. This amount was distributed to its member associations on the basis of patronage. The total savings of the organization and its predecessors since inception, after income tax, were \$18,590,213, all of which was credited in the form of patronage refunds to the members.

Assets: As at October 31, 1957, the organization had total assets of \$25,267,290.

Manufacturing Plants: Since its inception the organization has expanded into production where sales volume to its member co-operatives warranted such action. At the present time it owns a modern 16,500 barrel catalytic cracking plant in Regina, 44



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oil wells located in Leduc, Alberta; and Smiley and Estevan, Saskatchewan. Total production of these wells is approximately $12\frac{1}{2}$ per cent of the refinery capacity. The organization owns a coal mine in the Drumheller area, with extensive coal reserves. It owns a modern sawmill, with a capacity of 150,000 board feet per day, on Shuswap Lake, near Salmon Arm, British Columbia. It also owns a small mill at Chase in the same area. It has under lease from the Province of British Columbia, extensive timber reserves. The organization also owns feed manufacturing plants in the cities of Winnipeg and Saskatoon.

Interprovincial Co-operatives: Jointly with other regional co-operative wholesales, performing a similar function to Federated in the various areas, the organization has an interest in Inter-provincial Co-operatives. In its last fiscal year Interprovincial Co-operatives Limited did a volume of \$15,926,538, with savings of \$183,671, after income tax. It owns a food processing plant; tea, coffee, peanut butter, in Burnaby, B. C., a chemical plant in Winnipeg, a bag factory in Montreal, and they lease a canning factory at Niagara Falls, Ontario. The patronage refund from Inter-provincial to Federated in its last fiscal year was \$108,325, which was returned in the form of patronage refund to the individual through his local co-operative



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association.

Merchandising Procurement Policy: The merchandising procurement policy in order of priority is as follows:

- (a) Production or processing plants owned by Federated.
- (b) Interprovincial Co-operatives Limited.
- (c) Co-operative Producer production plants, or subsidiaries, manufacturing Co-op labelled merchandise.
- (d) United Kingdom Co-operative Wholesales or their export subsidiary companies.
- (e) Co-operative Wholesales' processors or exporters in any other part of the world.
- (f) Canadian suppliers.
- (g) Other United Kingdom suppliers.
- (h) Other suppliers.

The Problem of Price Spreads: A highly diversified and complex society presents many problems that were not dreamed of in a bygone day. Today a problem of the excessive spreads between the price the producer receives for his product and the price the consumer pays, is one of these. To illustrate this point one could go back one hundred years, when according to statistics 85 per cent of the people were living on farms and producing enough food for themselves and fifteen others. The farmer took his surplus products literally into the homes of the consumers, sold them or traded them, undoubtedly to the reasonable satisfaction of both parties.



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At least there was no spread to cause any concern.

One might oversimplify the problem of price spreads today by saying, let us revert to the position where the producer is as close to the consumer as possible.

The Co-operative Movement: The co-operative movement, which had its formal beginning with the Rochdale Pioneers in the Manchester area of England in 1844, has spread to every country in the world. It is invariably found among the low-income groups of every country. On the North American continent, this happens to be those engaged in agriculture, and the co-operative movement in the United States and Canada has a distinctly agricultural flavour, which applies to both the marketing of primary products and the purchase of farm supplies and other consumer needs.

In the early days of its incorporation this organization was composed wholly of farmers. Through the years, with the growth of general stores in the various communities, nonfarmers have been freely admitted into membership, and we now have in our area, well organized consumer co-operatives in every city. The Sherwood Co-operative Association in the City of Regina has 20,663 members, the majority of whom are "city folk" or other "off farm" people.

And I would refer to the very kind visit



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of the Commission this morning to the premises.

Our purpose in inviting you there was to demonstrate in a visual way that Co-operatives can do this job, because as you travel into other areas in Canada or go down into the United States, you will find there are many Co-operative leaders who will say that the Co-operatives can do an effective job in farm supplies, such as petroleum and fertilizer, but they cannot compete with the chain stores, and we wanted to give you this visual proof that in this province we are competing successfully with the well organized chains who have competitive stores in every city.

We made available to your Secretary a number of the reports of the Sherwood Co-operative Association, and I have the assurance of Mr. Munroe, the manager, that if there is additional information which this Commission might require, it will be very cheerfully given.

THE CHAIRMAN: Mr. Fowler, in the preceding sentence you changed the wording from "we now have in our area, well organized co-operatives in every city." You read, "we now have in our area, well organized consumer co-operatives in every city."

MR. FOWLER: Well, I am sorry. Either statement is correct. The statement here says organized co-operatives, and I am referring to



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consumer co-operatives.

THE CHAIRMAN: Is this merely retail co-operatives or would you include in that co-operatives selling supplies to farmers?

MR. FOWLER: We include them both. Now, for instance, there is one city that does not have a store, that is Estevan. It is a well organized consumer co-operative and we call it a consumer co-operative. It distributes, gasoline, fertilizer, feed and lumber, but not at the store, but every other city in the province has a well organized store. There are two stores that if Mrs. Walton were wanting a first-class party dress and living in these two cities, Weyburn and Swift Current, the places she would go would be to the Co-operative store.

Co-operative Savings Reduce Spreads: We have indicated above the savings for the organization in its last fiscal year, and have given accumulated savings. Undoubtedly the Commission will be furnished with this type of information from a wide range of co-operatives, local consumer co-operatives, marketing co-operatives and co-operatives of every type.

CO-OPERATIVE SAVINGS, THEREFORE, ARE A MOST IMPORTANT FACTOR IN REDUCING THE SPREAD ON PRIMARY PRODUCTS

Are Price Spreads Excessive? This is a hard question to answer. There is a popularly held



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idea that they are. This probably stems from the agricultural producer who receives a low price for his product, sometimes less than the cost of production, and sees that product in the hands of the consumer at a mark-up which represents an increase of several hundred per cent over the amount he received. Consumers, too, have felt there is too high a spread, but have not been as "vociferous" as has been the farmer. It is generally recognized that the spread does exist, else this Commission would not have been appointed. Whether the spread is reasonable or unreasonable it would be difficult to determine.

In some of the material the Commission sent out they asked for illustrations. I do not know how important they are. I will give you one.

It is conceivably one that may on the face of it be outrageous but might be more reasonable than one where the spread is actually less percentagewise.

In the store this morning I picked up a package of puffed wheat. It had a retail price of 24 cents. It contained six ounces, thanks to the organization of the Canadian Association of Consumers from whom I have been able to secure a regulation that the weight of the package is on the goods. It had a weight of six ounces which said it was 4 cents an ounce. If the farmer received



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that value for his wheat he would get \$38.40 a bushel. I am sure he would settle for a lower figure than that; or contrarywise if you went into the value of wheat in that package it is slightly less than one cent. One might facetiously say in a 24-cent package you were getting one cent of wheat and 23 cents worth of puff.

In the same thing I have here a U.S. News and World Report of April 4th. The Commission may have seen this. I will leave the publication. The heading of the article is "The High Cost of Eating" and I want to read into the record one short paragraph.

"Over all, the annual cost of the market
"basket to the average urban family has
"gone up by \$122 from \$920 in 1950 to
"\$1,042 at present. The farmer's share
"of this cost has dropped by \$12, while the
"middleman's has risen by \$134."

There is a great deal in the article, some of which may be of some value to the Commission.

Some Causes of Excessive Spread: There are many factors entering into the spread (reasonable or unreasonable) as it exists today. The main factors may be outlined as follows: excessive profit, duplication of facilities, fancy packaging, multiplicity of brands, trading stamps, gimmicks, excessive advertising costs, etc.



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Excessive Profit: The food industry has been traditionally a low-margin industry, but it has been an industry of "fast turnover". Published statements of those engaged in the food industry, both processors and distributors, make much in their publicity campaigns of the low percentage of profit on sales, or the low percentage of profit per unit, pound, etc. However, an examination of profits in relation to capital investment, it would appear from those examined that many of the concerns engaged in the food industry have been very profitable indeed for the owners. I would like to refer to the March 15 issue of "Saturday Night," where the "Weston" Empire is reviewed. One can only conclude that very satisfactory profits have been the basis on which this empire has grown.

I have that page to leave with the Commission. I will also add that Fortune Magazine published some very interesting supplements, which the Commission may have seen. One came out last fall listing the 500 major corporations on this continent and then it lists mercantile concerns, banks and insurance companies, and there you will find a very excellent source of data as to the ratio of profit on sales, profit to investment capital and total assets and so on. I think that could be obtained from the library or from Fortune Magazine.

I would also like to read into the record



a paragraph in one of the most recent issues of Time Magazine. This is the issue of April 21st. It is under the heading of "Earnings".

The article starts out by painting a rather dismal picture of the first quarter earnings of corporations in the United States, steel, railroads, and so on, and then it goes on with this paragraph:

"Americans were buying more food than ever.

"Kroger Company earnings hit a record of

"1.27 up from 1.14 on fewer shares a

"year ago. National Biscuit Company

"expected slightly better earnings than

"last year, as did General Baking Company.

"Grand Union increased its dividend from

"18 cents to 20 cents a quarter on the

"basis of record sales. And General

"Foods, buoyed up by the first quarter in

"its history, broke into the elite one

"billion sales club for the first time

"in the fiscal year ending March 31st."

I would presume that is March 31st, 1958. I do not know whether that information is of any value to the Commission or not but there it is.

Duplication of Facilities: In this connection one might quote from a news item that reports evidence given to the Gordon Royal Commission:

"The President of one of the largest

"plants making refrigerators told the



"Royal Commission on Canadian Economic Affairs that there were 22 such plants in Canada, and that one well equipped factory could have produced all of Canada's refrigerator requirements in 1955, while working at only 50 per cent capacity."

Retail service stations are a good example of duplication of facilities. We have no information whether or not such duplication exists in the processing of food products. We do know, from general observation of the expanding supermarkets in our city areas, that there is definitely at this point in time, an overextension of facilities necessary to serve the consumer with food. This overextension of facilities can only result in higher overhead per total volume of food consumers, and is a very definite contributing factor to the cost of doing business, which is represented in the spread between farm products and their ultimate consumer.

Multiplicity of Brands: Trade magazines report that there are over 5,000 inventory items in the modern supermarket today, and those who are predicting trends, indicate that this will increase to at least 10,000 in the foreseeable future. The number of items include not only different kinds of goods, but different brands of goods -- in many cases exactly similar products under a different



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brand name or in a different size or shape of package. It is obvious that no consumer can make an intelligent choice or judgment on the quality value of that number of items. He is thus in a position to be readily exploited, and there are some suspicions that the consumer rather enjoys being fooled. At least he -- and perhaps she -- is an easy victim to subtle sales promotion. An instance will illustrate one phase of this.

In our wholesale warehouse we were handling two brands of an item. They were exactly similar, and of the same general type. Another concern felt it wanted to expand into this market and put on an extensive advertising campaign. Our Grocery Department manager circularized our store members that we would not handle this item, because the member was being adequately served with the two brands now available. Three weeks later it was necessary to change the edict because of pressure from co-operative store managers relaying pressure from consumers who had heard about this and felt it was a brand they wanted to try. As a result we had to increase the warehouse space necessary to carry this particular commodity, and our expense in connection with this item was increased considerably. The same is true of the retail store which might have devoted 4 feet of shelf space to this commodity, and now he has to devote 6, representing an

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increased cost at the retail level. Unquestionably and irrevocably these additional costs find themselves sooner or later in a wider spread between producer and consumer.

Gimmicks: The historian of the day will probably describe the 1950's as the age of "gimmicks." The coupons, the premiums, the trading stamps, the contests, and every imaginable sort of device to encourage sales, with the implied thought that the consumer is getting something for nothing -- some few do -- but on the whole the cost of this type of sales promotion is borne by the consumer. It does not make a better product, but it does increase the spread between producer and consumer. It is admitted that if one retailer or processor is able to devise a scheme that he can work better than his competitors, he may increase volume sufficiently to cut his costs so that he can lower prices. We doubt if there are many instances where it has happened.

Now I want to give an illustration of the gimmicks again in the store this morning. With the purchase of a box of breakfast food which had a premium, and this is it. By the same manufacturer there was the same commodity available at a lower price. The mark-up between the two was 23 cents. We took this premium to the manager of the hardware store and asked him, "You have something like this in the store, what would it sell for, and what would it cost?" He



said it would sell for about 19 cents and cost 11 cents. I don't wish to file this as an exhibit.

THE CHAIRMAN: There is nothing in it just now.

MR. FOWLER: Nothing in it at the present time. I might wish there were. Look what is going on here. To be fair this company should say it is selling crockery and it is throwing food in as a premium because in essence that is what it is doing. Undoubtedly if the retail hardware manager is buying this for 11 cents in the volume it is bought by the manufacturer of the food it could be reasonably assumed to be less than that. So he is making a profit on crockery. We don't know whether he is making any profit on the food or not.

I would like to relate an instance of this gimmick, a thing which I think portrays what is going on. A close neighbour of ours has a nine or ten-year old boy. This family has been exposed to very heavy medical expenses in connection with this boy. He listens to the radio programmes and he has not sufficient intelligence or maturity to understand what is going on. He heard if he saved sufficient box tops he would get a bicycle and he saved the box tops and the family had to eat a particular type of breakfast food. He sent them in to the contest and of course he did



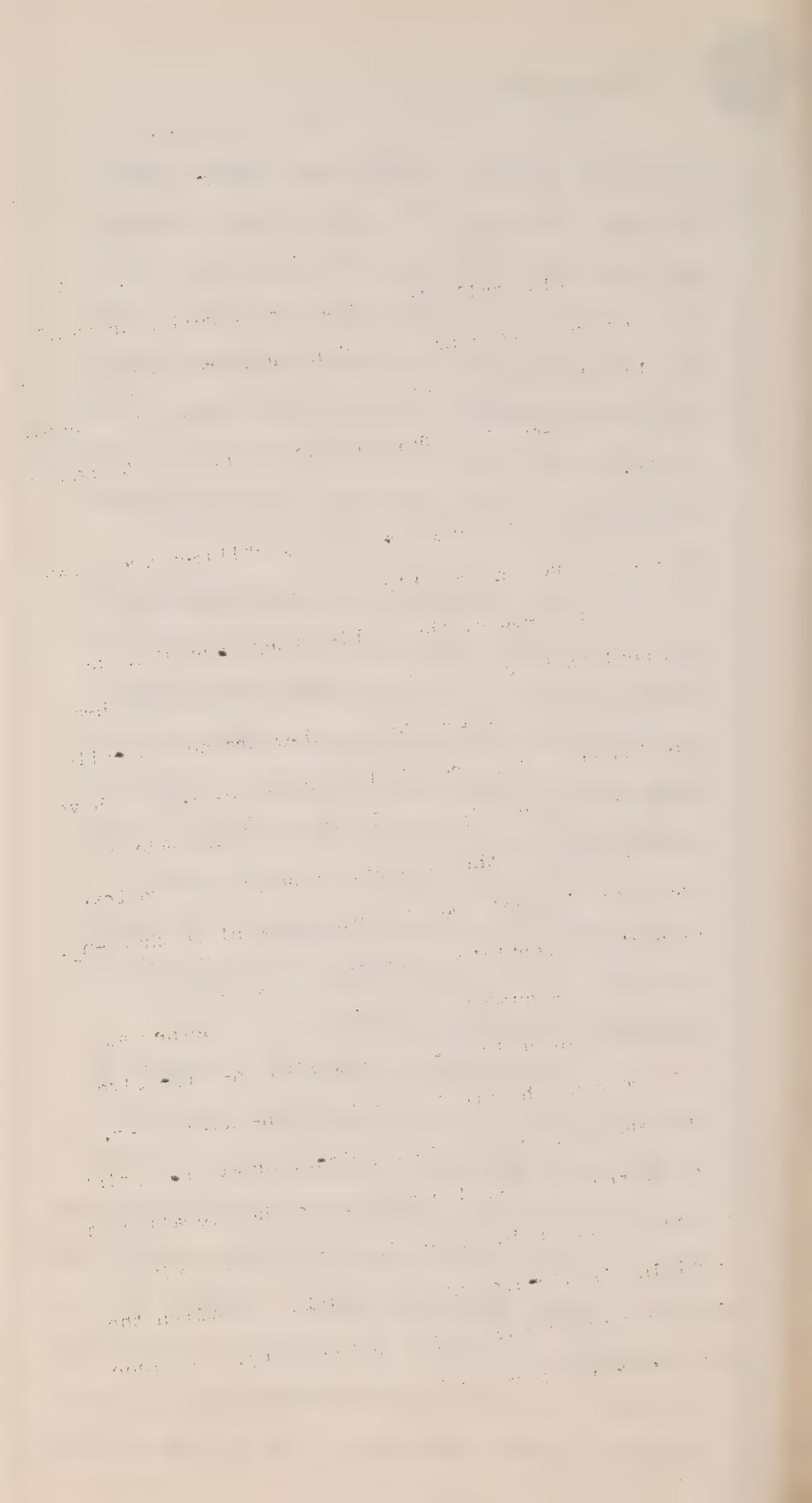
not get the bicycle. The boy was heart broken. The family felt they had to buy the boy a bicycle. That took money that could be ill-afforded.

There is a moral issue involved. It happens this family is a very deeply religious family and they are concerned with the moral issue. Here is a boy enticed into a programme of chance, gambling, if you like, and they just don't know how to handle it.

I am very grateful my children are grown up. I have heard this same thing from dozens of different people, the problem they face with the appeal that is made to children to create in them a false sense of values and if they are not juvenile delinquents they are off to a good start. I have no words to describe people who, for the sake of making money on the product, proselyte, or whatever the word is, children in order to achieve that end.

Excessive Advertising Costs:

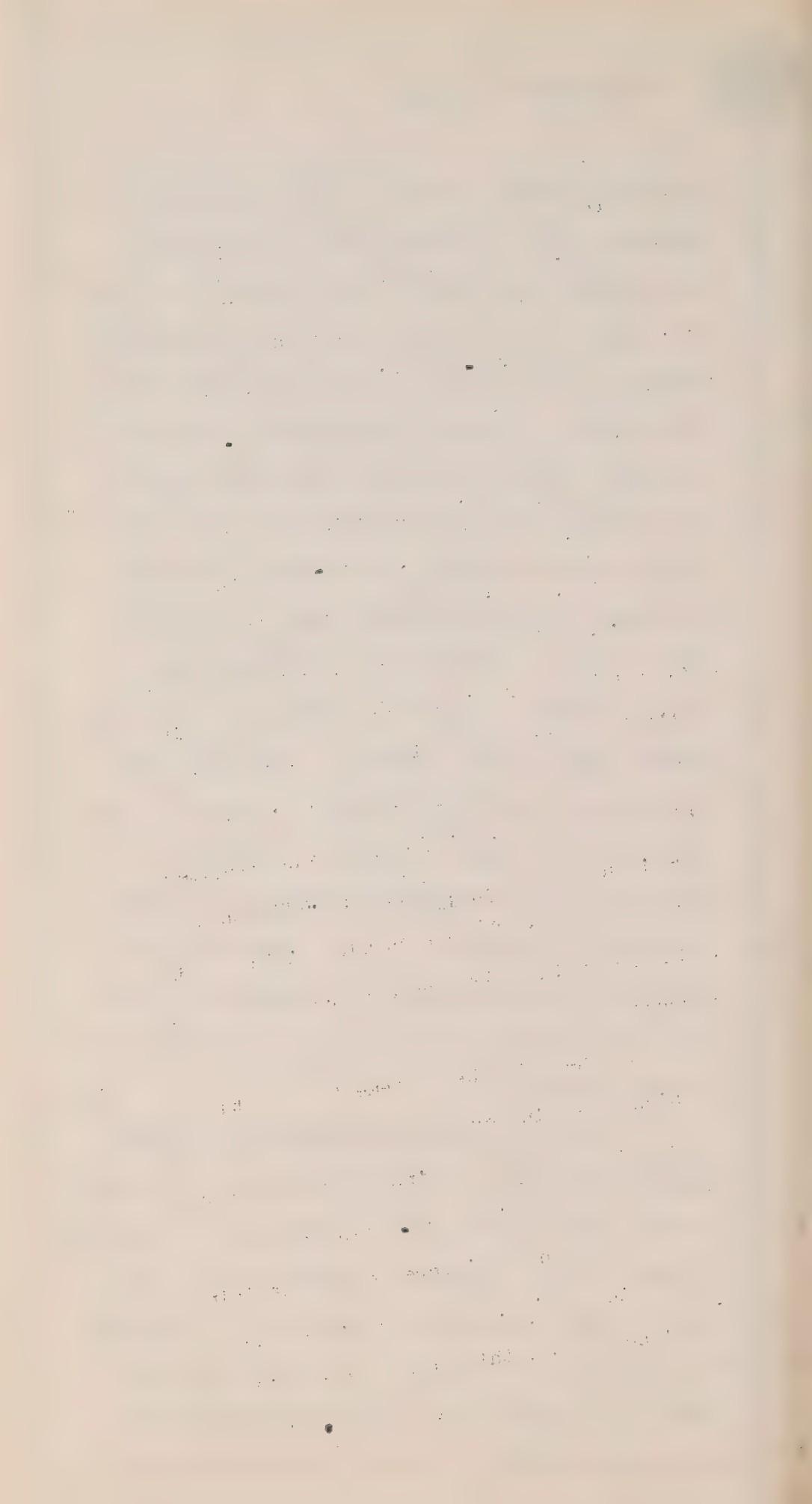
The question is raised as to whether advertising, which is used solely with the objective of increasing the profit margin of the advertiser, helps the consumer to lower prices, or at what point does it become excessive and add to the overall cost of the product being advertised. Most of the advertising is directed at endeavouring to switch the consumer from product (a) to product (b). A trade magazine recently reporting on "The \$64,000 Question,"





indicated that as a result of this very popular programme sales of the sponsoring organization had increased immensely, but the cost had been more than budgeted, and therefore they were increasing the cost of the product to cover the excess advertising cost. Probably this programme resulted in an overall increase in sales of the total consumption of this particular product, but in the main it succeeded only in having the consumer switch his patronage to the product advertised, to the detriment of others. The others undoubtedly may go out of business or may not, or may devise some new scheme, costly to the consumer. Our whole point in mentioning excess advertising, of course, is to point out that there is a point -- difficult to ascertain -- where advertising helps the consumer and where it hurts him. It is suggested that a great deal of the money spent on advertising today ends up in increasing the spread between the producer and the consumer.

Again there is the statement in Fortune Magazine which gives in very great detail the amount of money spent by farms and by industries in relation to total sales. There is a great deal of data there if the Commission are interested in examining all the various industries. For instance, the cosmetic is highest and I think banks lowest in advertising budgets in relation to their business.





Joint Co-operative Action Can Reduce Spreads.

It will be seen from the above analysis that many factors are entering into the spreads as they exist today. Whether such spreads can be deemed reasonable or not is a matter of judgment, and perhaps opinion. However, we would say that whether the spreads as they exist today are reasonable or unreasonable, they can definitely be reduced through joint co-operative action between producers marketing and manufacturing co-operatives on the one hand and organized consumer co-operatives on the other.

In outlining Federated's Merchandise Procurement Policy early in this brief, (a) Production or Processing plants owned by Federated, and (b) Interprovincial Co-operatives, referred, with minor exceptions, to items in the non-food category. In the procurement of items in the food category, we prefer and definitely encourage item (c) Co-operative Producer Production Plants or Subsidiaries manufacturing Co-op labelled merchandise. At the present time all flour handled by Federated, and most of its member consumer co-operative stores, is obtained from the Wheat Pool Flour Mill in Saskatoon. The bread under the Co-op label handled by Federated and its member co-operative stores, is baked under contract that provides that flour equal to the flour content of the bread must be purchased from the Wheat



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Pool mill. We obtain considerable quantities of canned goods from farmer-owned processing plants. In fact, we have gone so far as to assist in financing this type of plant by prepaying for goods not yet produced, or even not yet grown.

Earlier in this brief we mentioned the historic pattern of the farmer physically entering the home of his consumer customer, and it is suggested that the co-operative action outlined above -- that is, producer co-operatives meeting consumer co-operatives -- is in effect recovering the strategic ground lost by the primary producer through industrialization.

It is hoped this Commission will recognize that the individuals within our society, through co-operative action, have tremendous power, and if farmers will organize co-operatives to own processing and distributive plants, and meet the organized consumer through his consumer co-operatives, there is a direct flow (as in the case of a bygone day) through non-profit, non-exploitative and non-wasteful channels from the man who grows the food to the man who eats it.

The Co-operative Movement in the National Economy.

Many eminent authorities and references could be quoted illustrative of the above heading. We wish to quote two. First, from the report of the Royal Commission on Co-operatives, with the



Honourable E. M. W. McDougall as chairman (1945),
page 30:

"Again co-operative associations appear
"to have developed most rapidly in fields
"where there are wide and rather rigid
"price margins associated with government
"control or custom, or where a multipli-
"city of outlets make for high costs of dis-
"tribution and marketing as, for example, in
"Western Canada where the whole organiza-
"tion of marketing and distribution was
"originally planned to serve a larger
"population than has actually developed.
"If co-operative associations can help to
"prevent the development of unreasonably
"wide margins and unnecessary duplication
"of facilities, they will be performing a
"public service which governments can ac-
"complish only with difficulty."

From "The Co-operative Movement and some
of its Problems," by Paul Hubert Casselman, Professor
of Economics, University of Ottawa, page 153. From
13 statements illustrating the economic benefits of the
co-operative movement, we have selected the following:

"The breaking up of monopolies and
"trusts which operate at the expense of
"the consumer by establishing an alter-
"native source of supply at reasonable
"prices."



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"The increase of the workingman's
"purchasing power and real wage by giving
"him more or better goods for his money."

"The more accurate correlation of
"demand and supply as a result of the
"greater certainty and regularity of
"the consumer market."

"The stabilization of employment
"which will result from the regularity
"of demand and the absence of speculation."

All of which is respectfully submitted,
sir.

THE CHAIRMAN: Thank you. We do have
some questions I would like to ask you. I don't
know how long the question period might take. I
think we will break off for five minutes.

--Short recess.

THE CHAIRMAN: Come to order. I think Mr.
Kidd has some questions he may direct to Mr. Hamilton
or both of you.

COMMISSIONER KIDD: I think I would like
to start with Mr. Hamilton first.

MR. HAMILTON: Good.

COMMISSIONER KIDD: On the first page of
the Co-operative Union submission, would you explain
for me the meaning of the phrase: "The dollar value
of services rendered"?

MR. HAMILTON: Well, as indicated at the



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top of page 2, the figure, the total figure of services rendered includes the value of products handled by marketing co-operatives, goods sold by merchandising co-operatives, such as consumer associations, policies issued by insurance co-operatives, and loans made by credit associations.

In other words, it is the total figure involved in all of those things. For example, in the first line in the table, grain marketing, this figure fluctuates of course in accordance with the amount and the grades and the prices of grain, but this is part of this total picture.

COMMISSIONER KIDD: Well, I was going to come to that next, and you have already answered the first part of the next question.

Is there any significance in the other items? I notice that grain marketing fluctuates. The way you describe it other markets have had a fairly steady decline, but then you come to distributing, consumer, credit and service, and these things are up. What is the implication of those changes?

MR. HAMILTON: We will take them one at a time. Service co-operatives, as I mentioned earlier, are as suggested, community halls, community curling rinks, and snow plow clubs that are organized on the co-operative basis, and so on, so we can leave them at that. There has been some increase obviously, as indicated by the growing size.



The production co-operatives, largely this refers to the co-operative farms which are organized as Federation of Production Co-operatives, so if we can leave those too.

Credit, of course, refers to the credit unions, and the credit union movement is growing. The number of credit unions is increasing annually as to the use that is being made of them, and the consumer co-operatives likewise as has been detailed by Mr. Fowler's brief.

COMMISSIONER KIDD: Yes, but what I was getting at, does this indicate any change in the work of the co-operatives or in the services overall that they perform? Is there any indication of a change or is it just a growth pattern?

MR. HAMILTON: Well, in so far as the change can be defined or described as a growth pattern, I think it is true. In other words, more co-operatives, rural co-operative associations, are building stores and bigger and better stores. This accounts for part of this, and then of course built into all of this is the inflated dollar value, of course, and also the fact that there has been generally more money in circulation.

These are all facts, I think, that have to be recognized in reviewing the table.

THE CHAIRMAN: But would it be true that your marketing co-operatives started earlier and in



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the last ten years or so have remained fairly static?

MR. HAMILTON: I would say so.

THE CHAIRMAN: Whereas your consumer co-operatives have started later and are, in terms of volume of business, increasing now?

MR. HAMILTON: That is a true statement, I would say.

COMMISSIONER KIDD: On page 2, the earnings of Saskatchewan Co-operatives, how do you define "earnings"? Is this the excessive income over cost, or what is it?

MR. HAMILTON: Excessive revenue over expenditures. I would say, yes. I didn't document it, but I take this from the Department of Co-operatives annual report wherein there may be some definition, and I am sure that the Commission has at its disposal a copy of that report.

COMMISSIONER KIDD: Now those earnings, do they in any way relate to the figures on the first page?

MR. HAMILTON: Yes.

COMMISSIONER KIDD: Is it fair to take those earnings as a per cent of the totals there?

MR. FOWLER: I don't think it is fair to take the total earnings as a total per cent because the margin, for instance, on the market is very low and the margin on consumers' storage is much higher, so that if you were to take the \$13



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million as a percentage of \$485 million you get figure which would inflate the value of the services of some co-operatives and deflate the value of others. I think you would strike an average there that would not be a meaningful average.

COMMISSIONER KIDD: I was just wondering if it were meaningful because the relationship seems to be fairly steady, around 3 per cent. I wondered if that had any significance.



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On the next page and on page 4 you have cited four sections of your organization, the Wheat Pool, the Creamery Association, the Dairy and Poultry Pool and the Forage Crop Growers. The brief gives some total figures of earnings and some increases of patronage dividends. Can you tell me in each of those groups approximately what percentage of the selling price is returned annually in the form of patronage dividends?

MR. HAMILTON: I could not for each of them individually, no.

COMMISSIONER KIDD: About the bottom of the page there the Co-operative Creamery in 1956 and so on -- you mentioned \$19 million worth of sales and you mentioned a return of \$3 million in patronage refunds and that is over a number of years. What would it be in a year? Again I am trying to get the percentages.

MR. HAMILTON: I may just have a reference here. This is one of the problems involved in speaking for a group of organizers.

THE CHAIRMAN: We would like to get as accurate information as possible on the patronage dividends in various forms of co-operatives. Could you tell us over the last ten years?

MR. HAMILTON: Would it be all right if we furnished this to you afterwards?

THE CHAIRMAN: I think that might be the



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best plan. There are a number of places throughout the brief in which you could probably do a rough measure of it, but we would like it broken down to the type of co-operative service offered and to get the differences in refunds and these all related to the total volume.

MR. HAMILTON: Yes, we have a reference that I have in my hand here but that reference is only for one year. I was unable in the time I had to prepare this thing to go to all the organizations and get it.

THE CHAIRMAN: Do you know whether there is any official publication or publication in which that information is provided?

MR. HAMILTON: Well, yes. The annual reports of each organization over the years would document it.

THE CHAIRMAN: Would it be too big a job to ask you if you would be able to look at those for us and take out some information?

MR. HAMILTON: I would be glad to.

THE CHAIRMAN: I think we would find it most helpful if you would.

MR. HAMILTON: All these things you can find again in the Department of Co-operatives report but they somehow get buried by different definitions and so much volume. I was unable to extract that in the short time I had and to bring it here before you.



I think the annual reports would be much better.

MR. FOWLER: I think, summarizing what you were saying, we have quite an accumulation of figures for the last ten years. I think in the last stage they are available in volume of business per year. If they are unobtainable we will say they are unobtainable but in any case I am sure they can be obtained.

COMMISSIONER KIDD: All the way through here, just more or less guessing at what the figures mean, there is an indication that patronage dividends run somewhere between three and five per cent. If we could have the exact figures, as the Chairman has asked for, that would be very helpful to us.

Still on page 3, there in the middle paragraph you say:

"The effect which the Saskatchewan Wheat Pool has had in improving the economic position of the western Canadian farmer cannot be measured solely by the patronage dividends which have been refunded to the farmer."

What you are saying there, I assume, is that for your own people you have been able to do the sort of thing you have set down here but you are stating that the other producers in this province have benefited in a similar way.

MR. HAMILTON: In essence, the sentence you



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read, what it intends to imply is that the patronage dividend has not been the whole value of these important organizations but the people, the actual participation, the actual understanding, of this type of thing, is probably equally as important to the farm populace as a whole.

COMMISSIONER KIDD: Not all the western Canadian farmers belong to your organizations that you have set out?

MR. HAMILTON: That is right. One of the companies that is not included in here is the Grain Marketing Co-operative. That operates here as the United Grain Growers.

COMMISSIONER KIDD: But your implication here is that the things you have done have had an effect on the market, on the well-being and on the patronage dividends, and all the rest of it, for all the farmers.

Can the percentage of patronage dividends, at which we are guessing now, be related to the price spreads about which we are talking? For example, I was thinking of this exhibit of the crockery. First of all, can the Co-op have any regulation whatsoever over the type of product? You seem to indicate there was quite a point made of dislike of the type of product which was sold, but do I take it you do not have control over the type of product that is sold?



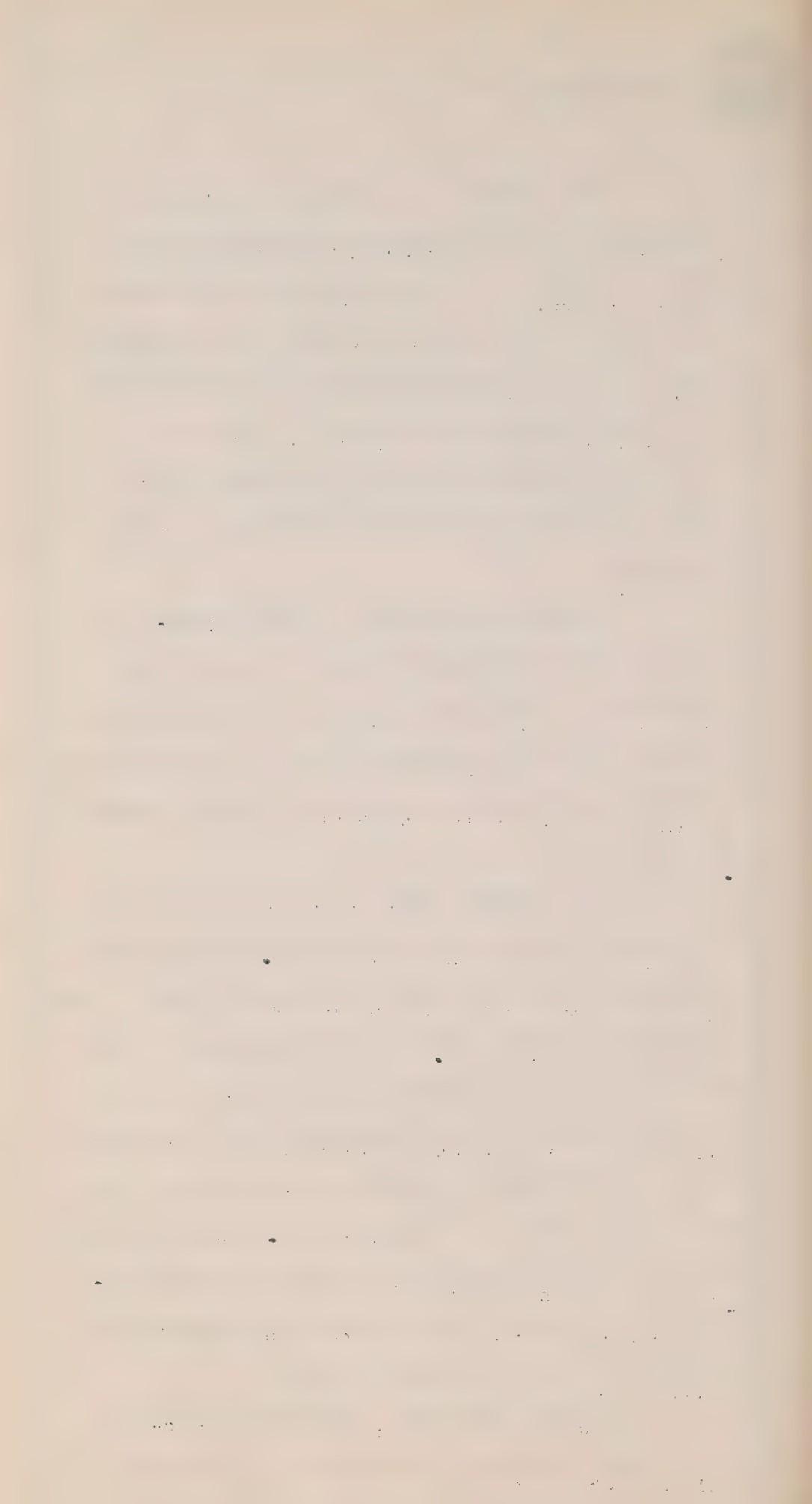
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MR. FOWLER: No, that is a question of competitive patterns which are introduced to our great reluctance. We must admit we would like to see all that stuff out of our stores but the people come in and ask for it and until we can go through the proper techniques to carry on a programme of information education we have to go along with the gag, so to speak, much to our reluctance. That is the point.

COMMISSIONER KIDD: Is that estimate of mine as to the patronage dividends -- how do you relate that to the price spreads of the food products that you are selling and that your people are buying? Has that any measurement whatsoever to price spreads as such?

MR. FOWLER: Well, it is only part of it. As a member of a co-operative last year in Saskatchewan my patronage refund was about four per cent. That reduced the spread as far as I was concerned by four per cent but a few reductions could be made, and by the patterns that we are suggesting, by a more direct flow of goods from the producer to the consumer, our costs would be down. We would have larger patronage refunds from the interprovincial and from wholesale organizations which would increase the patronage refund to the local Co-op where I deal.

COMMISSIONER KIDD: On consumer co-operatives, page 5, generally speaking how do consumer





co-operatives' prices compare with the chain store prices?

MR. FOWLER: One of the Rochdale rules is a competitive price. There is competition in so far as it is possible to make them so. One of the great difficulties of any merchandiser is the matter of pricing. While general formulas are followed in relation to mark-off nevertheless the co-operative manager is alive to what his competition is doing.

In the case of some of the city co-operatives the chain stores have their employees who do price checks. They come into our stores and they freely exchange information as to how our prices are standing with theirs.

Another pattern of checking is to use the Women's Guild as an organization and to ask them to go out and do some shopping -- not to compare, but to go and buy something at this store and something at that store and to bring them back here and we will compare it. On that comparison we have found generally that the Co-operative store is competitive. There may be a difference of 30 or 40 cents or two or three per cent on a \$15 or \$16 purchase.

COMMISSIONER KIDD: On specific products such as canned goods or any brand product, how do your products, let us say they are a Grade A product, compare in price with the Grade A product of some of your competitors?



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MR. FOWLER: It would be nearly the same. That is, if you take their brand of fancy and the Co-operative label, the same choice, one would be the same, as far as it is humanly possible.

COMMISSIONER KIDD: I think that is all.



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COMMISSIONER MARTIN: I think from the two briefs which you have already presented we can, without too much risk, conclude that you are strongly in favour of co-operatives?

MR. FOWLER: I think that is sort of a fair conclusion.

COMMISSIONER MARTIN: On page 2 of your brief from The Federated Co-operatives Limited, in the last part you say under the heading Savings Record that you had a net saving of \$2,076,790. This means the Co-operatives are paying income tax?

MR. FOWLER: Very definitely, sir.

COMMISSIONER MARTIN: On what basis, the same as other corporations?

MR. FOWLER: I have yet to find a section in the Income Tax Act which gives any preference to Co-operatives, except for a new Co-operative for three years, the same as any corporation in Canada. We are allowed to deduct from taxable income patronage refunds and private corporations are allowed the same privilege. The routines are slightly different. They must advertise. Every fall you will see in Western Canadian papers advertisements by certain firms that they propose to pay a patronage refund to their customers. We have no privileges other than a new Co-operative that other corporations do not have.

I am not an expert on income tax. You



will receive the final brief from the Co-operative Union of Canada at your final sittings in Ottawa. We would like you to refer technical questions as to the income tax position to them at that time. We are operating under the same section of the War Revenue Tax Act as does any other corporation in Canada and we do pay income tax.

COMMISSIONER MARTIN: On page 6 you mention some causes of excessive spreads and you mention that the main factors may be outlined as follows: excessive profit. What is excessive profit?

MR. FOWLER: That is a very difficult question to answer. I frankly don't know, but again referring to the Fortune Magazine where they listed five hundred corporations one was listed as having a net profit after income tax of 42 per cent on invested capital. I would say that is excessive. How far down you go I don't know.

COMMISSIONER MARTIN: Should we conclude from that that in Co-operatives there is no excessive profit or could there be some excessive profit in a Co-operative?

MR. FOWLER: In a Co-operative we dislike the word "profit". We say saving, the surplus is a saving to the member.

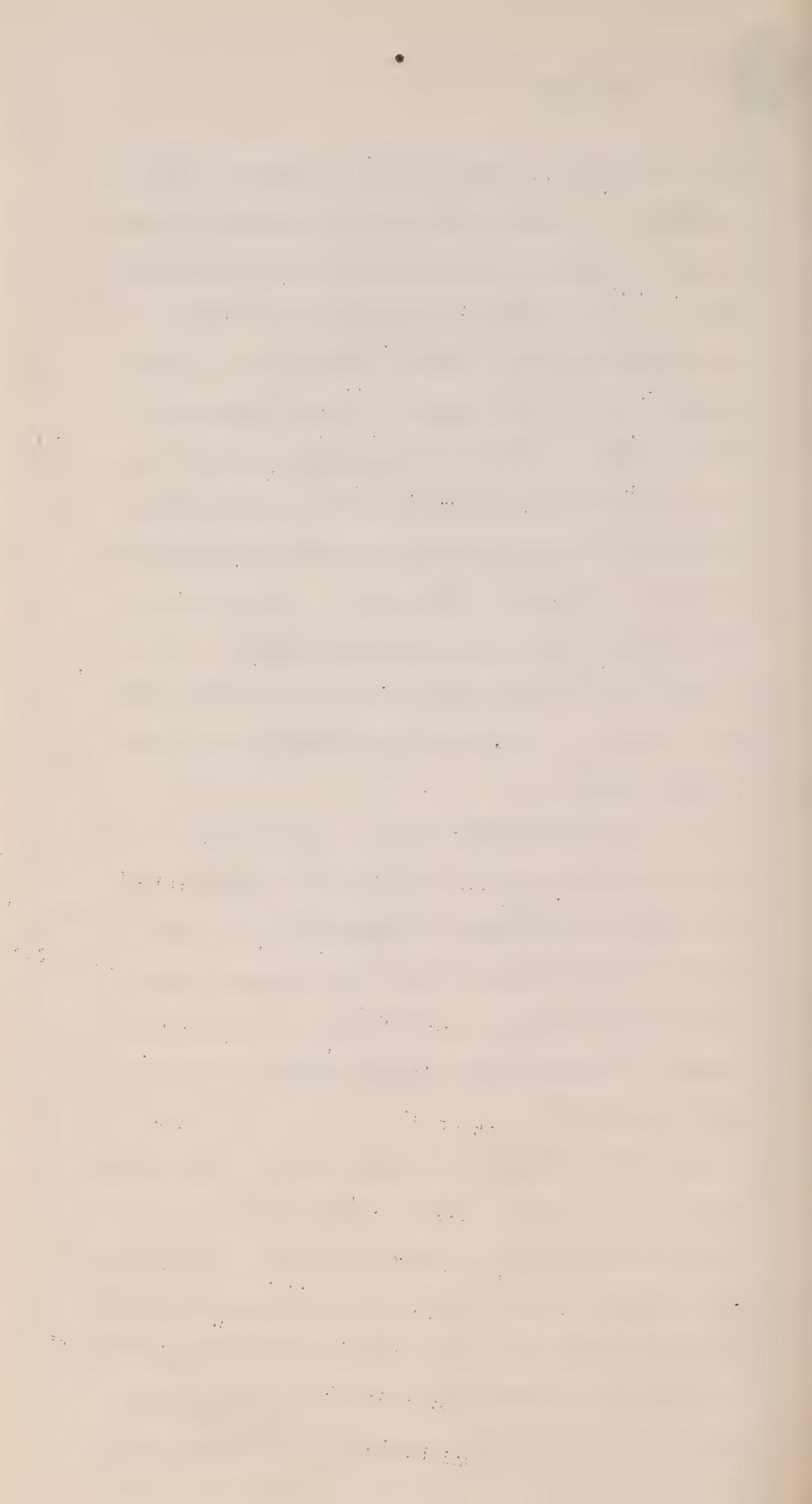
Again referring to the Income Tax Act, if a Co-operative does business with non-members, and



our organization does, we have to dispose of the by-products of our production plants outside our members, if ten per cent of the business is with non-members ten per cent of the net earnings are taxable. To that extent we are a private enterprise. When we make a profit on non-members we pay income tax on that portion. That is the only way we can say Co-operatives are engaged in private enterprise. Otherwise we say our excess of revenue over expenditure is a saving for the member. We like to use the words "saving" and "patronage refund". We try to get away from the orthodox wording of dividends and profits. They are not comparable with the co-operatives.

COMMISSIONER MARTIN: Coming back to the first brief on page 2, you give some figures on the earnings of Saskatchewan Co-operatives for a few years. Is it possible that those earnings may include some earnings on processing or manufacturing products in addition to the earnings made on sales? Is it possible?

MR. FOWLER: The statement of the Sherwood Association, if you refer to their sheet you will see before they arrive at the net saving figure there is a heading "Other Income". That other income is the patronage refund they receive from Federated and so that in the figures that you have on this page which, in so far as the consumer co-operatives enter





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the picture, it does include what we call local savings based on merchandising, buying and selling, also includes patronage refunds they receive from Federated. The Federated patronage includes patronage refunds we receive from Interprovincial Co-operative.

COMMISSIONER MARTIN: May I ask you another question. We had figures from some other briefs as to the effect of the net earned dollar value. In chain stores, for instance, it is lower than one per cent and I see by your balance sheet here the Sherwood Co-operative already paid three per cent patronage dividend on groceries, meats, drygoods and so on. How could you arrive at that?

MR. FOWLER: I would say first it is not because we are smarter or better managers or better executives. We are proud of our executives. It is because we do the job in a different way. I don't think we could justify ourselves as a Co-operative unless we found a better way to do business. I would not be engaged if we had no further hope of savings to members.



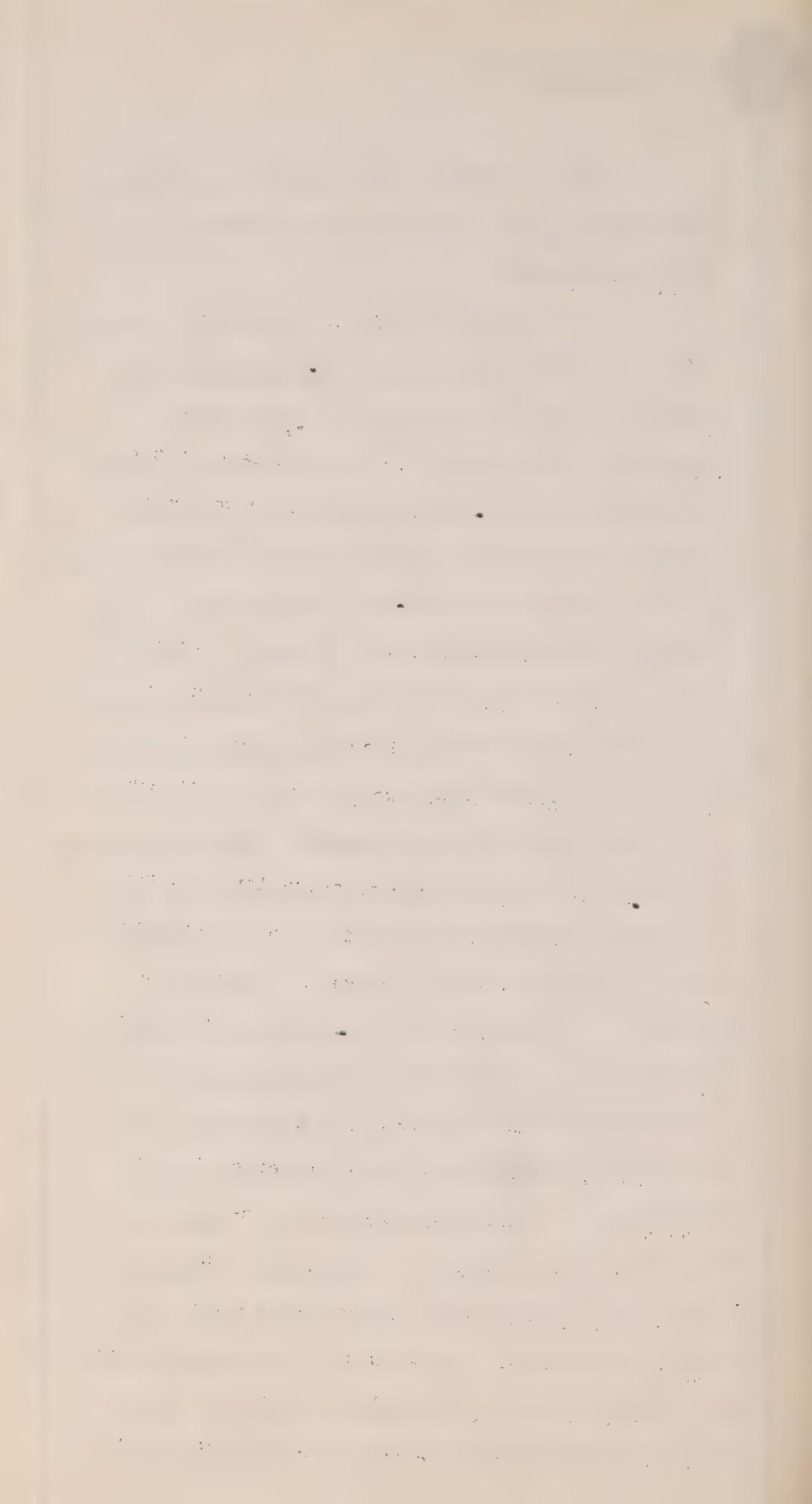
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MR
THE CHAIRMAN: How would you describe the differences in the way that you operate in terms of merchandising?

MR. FOWLER: Well, in the sense -- let us take the relationship between Federated and its member Co-operatives, with their corporations, autonomous corporations. In the language of the trade they are captive organizations, or we are a captive organization, and therefore many of the items of sales expenses which enter into the cost of some things in doing business are not part of our cost.

For instance, we have no travelling salesmen. Now that may be considered as something that is wrong, but nevertheless we are able to get almost one hundred per cent of our members' purchases through the idea that this is their organization, and that they should patronize it, and it is an economical waste to put salesmen on the road. Sometimes we use -- I am wondering if I am talking too fast -- we sometimes use this classic illustration: one of the earliest forms of Co-ops in the West was one or two or three farmers who joined together in the ownership of a threshing machine to use together for their mutual benefit. They would not hire a fourth man to put on the fence to tell them to use their own machine. That would be an economic waste and very elementary, and simply a waste, so when we say we do business a better way, we make use of





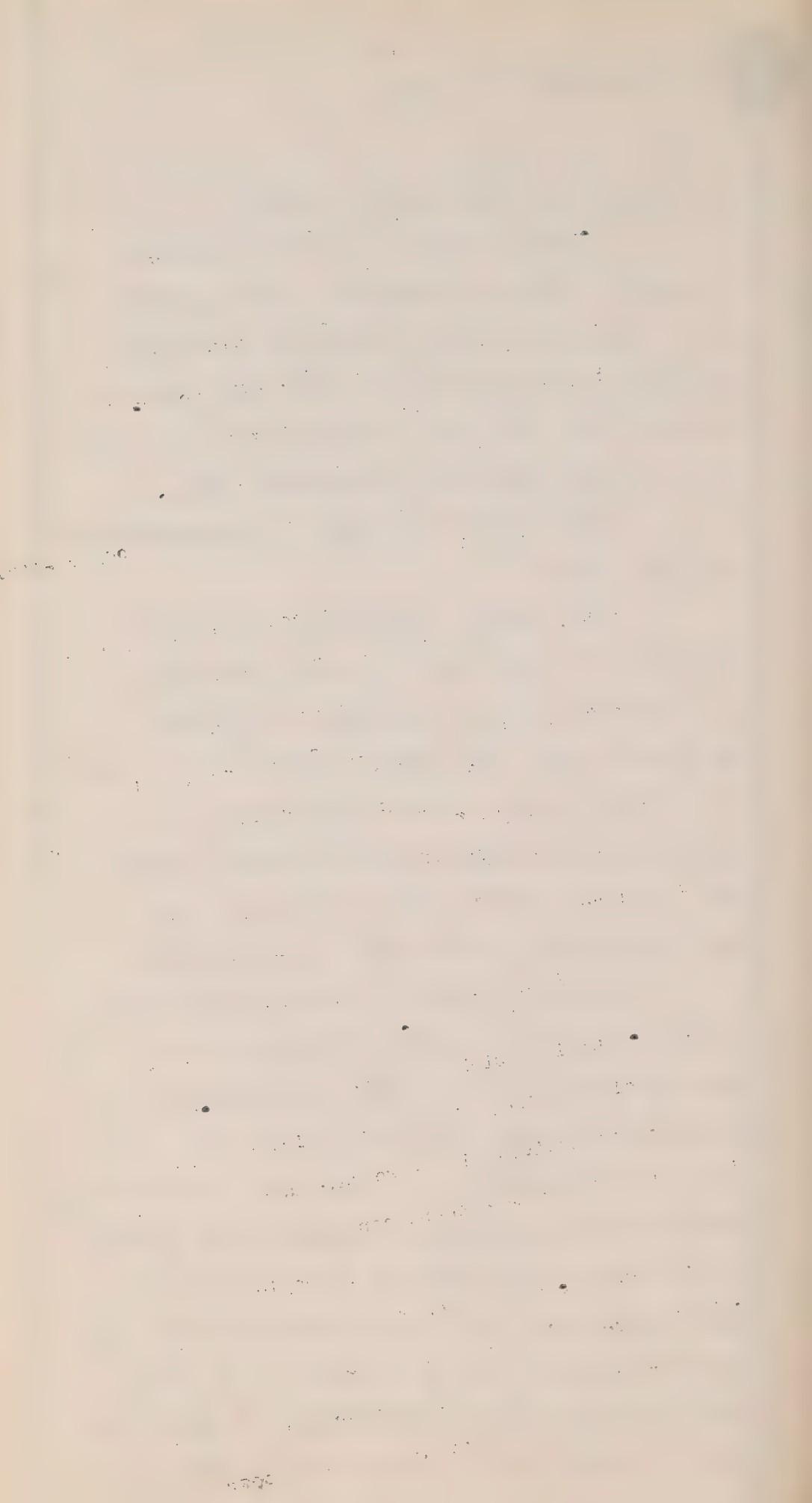
the consumer patronage ownership factor.

I have had people in so-called private enterprise, corporate enterprises, say they wished to God they had the kind of thing that we had, and what they would do with it, but they can't have it. They can't get the consumer ownership factor. That is my attitude concerning Co-operatives, sir.

THE CHAIRMAN: You mean it is buyer loyalty, would you, sir?

MR. FOWLER: You could say it is buyer loyalty, or you could say it is good commonsense. I am part owner of my Co-operative in Saskatoon. We have the slogan "See your Co-operative first", and I do. Now it may be from my selling myself on the ideology and philosophy of the Co-operative movement that I can make people shop there because it is a good place to shop, and because they make savings.

Perhaps if you ask them what the philosophy of the Co-operative movement is, you would think they are talking Dutch, but that illustrates that we are doing business in a more efficient way. Now, I may get an individual -- we have used, the Federated has used business management consultant firms because we want our techniques examined by people who are competent and one of the men who was an economist in Baltimore made this kind of statement. He wasn't sold on the philosophy of the movement, as some of us are. He said, "I am in favour of the Co-operative





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movement because it is the smartest way of doing business yet devised by man." That is from the standpoint of an economist, not from a devotee of the Co-operative movement, because in the consumer-ownership factor you have a pattern which cuts through waste and is a better way of doing business.

I don't know whether I have made myself clear.

THE CHAIRMAN: I think what I have got out of the statement, anyway, is referring back to the annual report Mr. Martin referred to the three per cent patronage refund on groceries, drygoods, and a combination of things, that I think we saw at the Sherwood Co-operative this morning.

If you look at the data that we have had on the net profits of chain stores in the grocery business, they are considerably less than three per cent of sales.

Now, there is one possibility. First of all, that your rate of refund on drygoods and other things that you have in Sherwood Co-operative, which are not in the supermarket chain store outlets, are more -- I shall not use the horrible word "profits -- more profitable. They have a higher mark-up, let us say, than your groceries and so this three per cent is not an accurate measure of the refund on groceries because other things are combined. Would that be so, and that the return



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on groceries as such would probably be lower?

MR. FOWLER: No, that is true enough in a very minor way. You see, some of the smaller and medium sized Co-operatives have what we call a flat percentage dividend. They will come out with 8 per cent; it means that the person -- or 6 per cent, and some as high as 9 per cent, which means that the grocery purchaser is being a little favoured -- and the petroleum purchaser is not.

Everybody is buying everything from this Co-op. When you get into a city situation where the apartment dweller is only buying groceries, and the farmer because he may be too far away to buy all his groceries is buying only petroleum, it is a wide margin.

Then there is a pattern developing among the larger city Co-operatives to departmentalize in terms of the refund dividend, and you will see in the Sherwood Co-operative, Class 1, Class 2 and Classes 3 and 4, something like that; now, then, they put in those classes to actual net earnings as closely as possible. If you examine their operating statements that that department earns, and see that in the groceries it is three per cent, that is because groceries did earn three per cent within a reasonable period.

THE CHAIRMAN: I see. Then let us take it that groceries earn three per cent. You



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can refund three per cent. That is much more than the net profits of grocery chain stores?

MR. FOWLER: Right.

THE CHAIRMAN: So we now want to try and find out how you can do this and what I have got so far out of your statement is that because you have this attitude on the part of the buyer to the Co-operative as such, you do not have to go out into the highways and byways and compel them to come in. They come in because of this relationship.

Now I can see if this helps then you do not have to advertise to the same extent, you do not have to do things in order to induce people to come into the store that other people have to. Now that is what I have got out of it so far, and it is a factor, you would say?

MR. FOWLER: Very definitely a factor. I don't need to furnish it, but let me put it this way: if we have anything to sell, it is an idea, sell the idea of ownership, sell the idea of co-operative action, joint action, mutual self-help, and so on, and some of our Co-operatives are autonomous.

Now, Saskatoon Co-operatives have regularly a full-page advertisement about four or five times a year in the daily newspaper. If you look at the advertising of the chain stores,



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they will have pork and beans, two for a quarter, special hams, and so on, and so forth. Maybe here is something that is a bargain and probably is a good price, and the idea of that is traffic builders, to get the person into a store so that they will buy not so many of the hams at a low price but buy some of the larger margin items too. The advertising of the Saskatoon Co-operative was purely on the economy idea. It would have pictures of the refinery, and pictures of their own premises, pictures of their staff -- these are your hired hands. These are the things you own, and pictures of Federated Co-operative buildings, and all that sort of thing, selling the idea through the printed road in advertising.

Now we have to go a little along. Some of our country co-operatives get out printed flyers, one every two weeks, to sort of advertise certain things in the Co-operative. We are not as pure as we would like to be, but by and large the reason that we make more savings in percentage of sales is not because we are smart -- I repeat -- but because we do the business in a different way, and I have outlined some of them. Our sales promotion in relation to what the chain stores do is at an extreme minimum, and we take advantage of the fact that I am a member of the Co-operative, and I should try it and I ought to go in there. Now that is



not loyalty. It is loyalty up to a point, but it is good commonsense. I should patronize the thing I own.

THE CHAIRMAN: Might I try this one on you? I notice in the brief you refer to the fact that traditionally, as in other countries, the Co-operative retail store is the low income group store. This is in the brief. This is a correct statement?

MR. FOWLER: That is right.

THE CHAIRMAN: Do you feel the same way about the retail outlets in Canada?

MR. FOWLER: I would answer it this way, that up until -- and I am talking about Saskatchewan -- our movement in the consumer side was strictly an agricultural movement. Farmers saw that this technique of working together to lower their production costs -- and refinery is another, and I think I can say in Ontario today that as far as their thinking -- if you were to suggest to some of the Ontario Co-operative leaders that they should have in the City of Toronto a store like we have here, they would think you ought to have your head examined. They say it cannot be done, so they have not yet tried to make an appeal in a broad enough way to the consumers themselves. It is purely an agricultural movement in Ontario. I don't know about Quebec. Maybe Mr. Martin might offer a comment



there. We were just in Quebec and saw some wonderful Co-operatives.

In Indiana, for instance, and some of the American cities, it is purely an agricultural movement. There are some city co-operatives but it is .00 percentage. In the last five or ten years in Saskatchewan we have been able to interest non-farm people in the benefits of Co-operative movements, as illustrated in Sherwood. I don't know the exact count, but out of four thousand members my guess would be not over three thousand are farmers. We have been able to interest non-farm folks in the Co-operative idea of a way to get better progress and save money.

On this continent if you could get the figures, I would hazard a guess that in Canada and United States, 98 per cent of the members in Co-operatives are farmers, and they are the ones who need it most.

THE CHAIRMAN: With reference to the Sherwood Co-operative, do you feel that the members were a representative cross-section of the population of Regina and environs, or would they generally be the balance at least of the lower income consumers?

MR. FOWLER: May I refer to my technical expert? Just referring to the economist on loan from the government, who is helping the Co-operative in many ways, and who is a member of Sherwood and so



on, he suggests that in his opinion the members of the Sherwood Co-operative are a pretty fair cross-section of the City of Regina.

THE CHAIRMAN: This is a different situation than is generally true of Co-operatives. I tried to find the sentence in here which definitely says that historically the Co-operatives have been of service to low income groups. Page 5:

"The Co-operative Movement, which had its formal beginning with the Rochdale Pioneers in the Manchester area of England in 1844, has spread to every country in the world. It is invariably found among the low-income groups of every country."

I am familiar with Co-operative stores in Scotland and I gather that this is true that they are the store of the lower-income families and that their merchandising is conditioned by this factor and is aimed at the people to whom a penny is quite a lot of money, in fact, and who are prepared in shop in order to save a penny. That is not true of Sherwood?

MR. FOWLER: No, it is not true of Sherwood. Mr. Brownstone suggests that the store is inevitably developed among the low-income group -- that may be true, and I think there is some concern.



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Mrs. Fowler was recently on a trip for the Co-operatives in the Old Land. She sees some development in more of the middle class families, who want to become members of the Co-operative but in the main, for your own information, and my own understanding, it runs that traditionally they are a development from the weavers in Manchester and is continuing to quite a large extent for the people who need it the most and who make the effort to build their Co-operative and they have built some tremendous ones there, as you know.

THE CHAIRMAN: In view of the fact that this is not true of Sherwood, I will not pursue the point, but what I had in mind was that we have heard quite a bit in evidence about the lack of price competition and that the consumers do not always have a choice between a reduced price or additional service or gimmicks along with the commodity. Now, I take it generally the stores in a general way direct their merchandising at products which will, across the whole range of consumers, effect the greater sales, but there is no differentiation of stores -- there may be in brands and different qualities and things -- but there may be a place for stores which aim at savings to buyers and will appeal by their methods of merchandising to the people to whom savings are important. They may be Scotch or they may be low income, whatever the reason is.



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What I was trying to develop with that was perhaps the Co-operative retail stores do this but apparently that is not true with Sherwood and so I will let it go.

MR. FOWLER: Well, I think in answer to the previous question, as I said, towards the end, Sherwood are competitive with the chain stores in so far as it is humanly possible to do so.

I agree it is a great paradox as to whether in fact there is real competition in the same sense. In some there is and in others there is not, but in the food stores I think we have to say there is some reasonable competition at the price level; that prices which are inflated by uneconomical practices, such as excessive costs, duplication and that sort of thing, the Co-operatives are rendering a major service to their members by providing cost and services at the going and regular price and making savings by a profit pattern operation and by eliminating some of these excessive costs, as far as possible.

THE CHAIRMAN: Thank you very much.

COMMISSIONER KIDD: There is just one thing more. I notice that in 1955 the Sherwood Co-op's expenses were almost identical with the operating expenses of the chain stores but where you seem to have parted company was on the gross margins; which was 16 per cent for the chains and 22 per cent for the Co-ops.



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I suppose there may be two reasons for that. One would be the different methods of book-keeping, and two would be the different types of costs. I would gather from what you have been saying that you believe the latter of the two is the answer. Would you like to comment further on that?

MR. FOWLER: Well, we have found it extremely difficult to get the figures on which we could compare our operation with others, to compare how we are doing.

As you get the published statement from the chain stores, there are few of them and unavailable to us. We do not find the information where we could compare gross margins because we do not know what method they use in arriving at gross margins.

There is certain information en masse available at D.B.S. That was printed in one of the briefs put in, I think, by the Farmers' Union. I do not know how valuable those figures are in this matter of comparison and so far we have not been able to get the kind of figures we would like to see. That is why we are doing it in gross margins less expenses and patronage refunds and all we know is when last August came along we had more money left over than they did.

There is another factor which, I think, perhaps has not been stressed in our brief. That



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is the impact of Co-operative operation on general price levels.

We have quite broad data on that in foods, which would be helpful to you.

There is the story of the refinery and of its impact on the price levels at the time.

We had some very interesting information from Ken Harding last night on the impact of the base Co-operative on price levels in all this vast Co-operative operation, that we do not think we can overlook. We have created conditions in the market and the other people benefit. We call it "milking the cow through the fence". These people do not see the cow, they do not provide the barns and in fact they do not do anything but they reap the benefits of the Co-operatives. That is one of the sore points of any Co-operative.

That brings to mind a rather humorous story. One of our pioneers was talking to one of the chaps who was in town and this chap said, "I am just in town and made a good deal for my gasoline. By gosh, I made a pretty good deal," and the director said, "Well, you know why you were able to make that deal, don't you?" "Yes, it is you guys. I hope you got the guts to stick around."

COMMISSIONER MacKICHAN: One of the features which may make it difficult to compare this balance sheet here by gross margins is that the

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Georgian Art in the XVII century.

By G. A. Tsereteli.



Georgian Art in the XVII century.

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three larger items in particular, the service station shows a gross of 32.25 and 30.4 in another item for a service station, and then there is the bulk petroleum which are not ordinarily services rendered by the chains, and those two high items would raise the others out of proportion and make them very good comparative figures.

MR. FOWLER: I think I stated here -- may I look at this a moment -- I haven't got a copy of it -- that an attempt to express in the patronage refunds what the department has actually earned, as we did it, is as close as possible. We do find -- going to the right hand column, that the gross margin in the petroleum business is around 10 per cent and the grocery under margin operating income is four in the case of one store and two in the case of another. That was the column from which the figure 22.16 was taken.

COMMISSIONER MacKICHAN: Were you checking against 15 or 16 for the chain store?

MR. FOWLER: Yes. While those associations had a total gross margin that did not include everything -- that is the average figure. It is a bit misleading, I am sorry. If you are going to compare our operation with the chain you should take the gross margin of 16.51 and 15.37 as being reasonably near to what the chains are doing. For the purposes of comparison 22.16 cannot be compared

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because no other competitive organization is doing the horizontal integration the Co-operative is doing.

COMMISSION MacKICHAN: We don't seem to have the same objection to horizontal integration as we do to vertical.

MR. FOWLER: No, that is another question. My grandmother was the original inventor of vertical integration. She milked the cows while my grandfather was doing something else. She separated the cream and made the butter and took the butter into town and sold it. That was vertical integration. That is where it started.

COMMISSIONER COVRETTTE: Is your store doing business only with consumer members?

MR. FOWLER: No. If you walked in today and made a purchase the clerk would have said, "Have you a number, sir?" And you would have said, "No." Then there would have been a slip made out for that purchase which would have gone in a certain slot. Had I made a purchase I would have given the number 3266. That would have gone in a particular slot. The non-member purchases are added up and become the non-member business on which there is income tax payable.

COMMISSIONER COVRETTTE: What would be the proportion of business done?

MR. FOWLER: Well, in a store like Sherwood, I should not be exact, it would be very small.



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It would be less than ten per cent. They make an effort to contact people and say, "Have you a number?" They invite them to become a member of the Co-operative.

COMMISSIONER MacKICHAN: Would you like to change the wording of that? Would you say your income tax would be paid on a different basis? There is income tax on the member business as well as on the non-member business?

MR. FOWLER: May I say there are three factors which determine whether a Co-op should pay income tax. One is non-member business. If a Co-op has a million dollars and it has ten per cent of members the taxable income is \$100,000. That Co-op may decide to put \$150,000 in reserves, on which it goes up on the \$150,000. Another factor is three per cent on capital employed, which is kind of a nuisance. It does affect some Co-ops. When you get to Ottawa you can go into that and have a lot of fun.

COMMISSIONER MacKICHAN: I don't want any wrong impressions.

MR. FOWLER: In a good many instances the thing which sets them out is that portion of the business they do with non-members. You will find different situations in different areas.

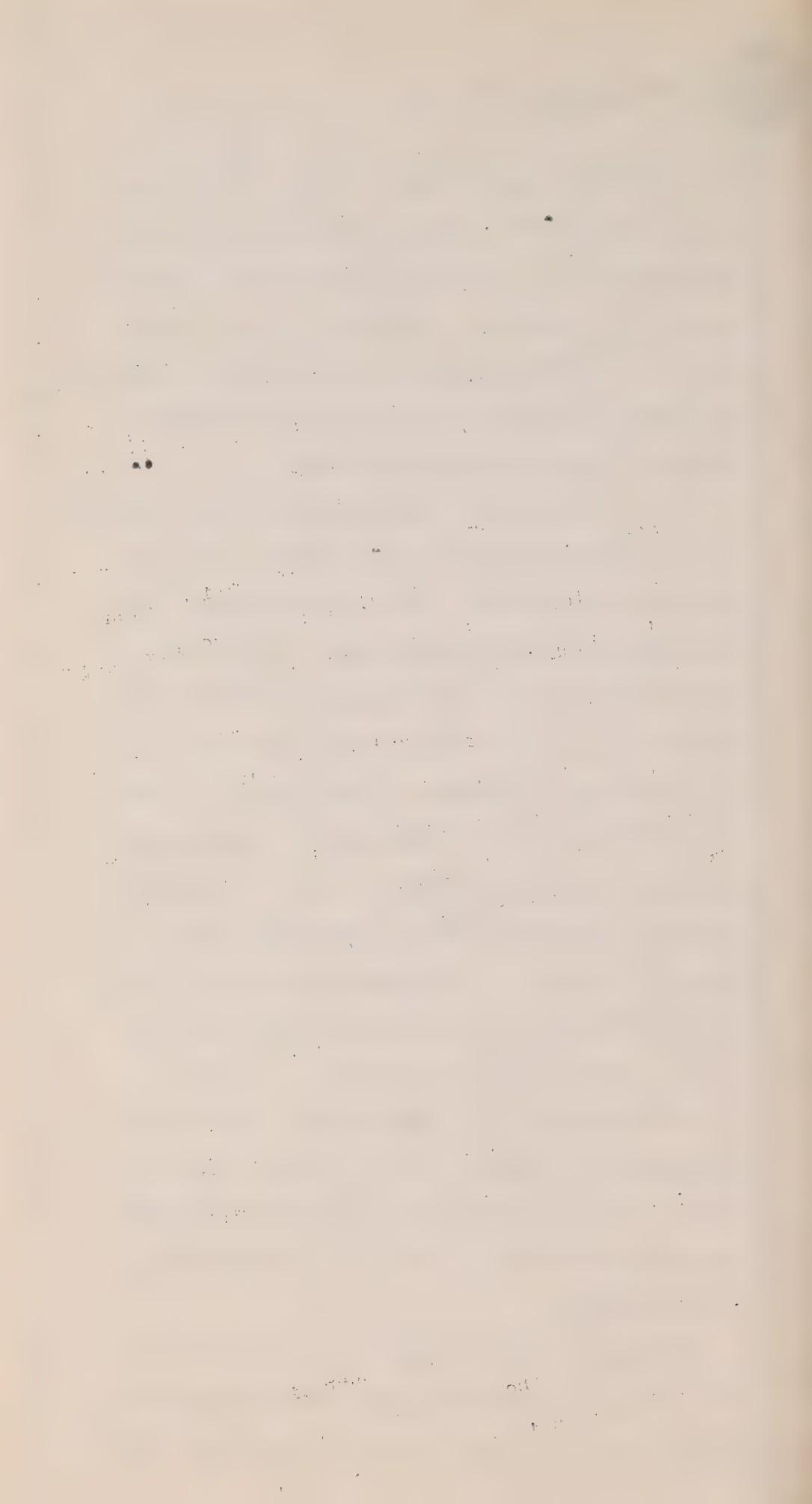
COMMISSIONER COUVRETTE: On the question of the refining aspect of publicity and as you



represent both producer and consumer, we have seen in our previous brief where producers, of course, are anxious to get as much of their product as possible on the market. Would you be in a position to tell us what the producer thinks of the publicity and the merchandising which after all certainly brings in sales and helps the sales?

MR. FOWLER: There are two factors involved. Let us take the producers' co-operative which is attempting to reach as close to the consumer dollar as possible or the consumer home. It may be a dairy which instead of selling its cream to another dairy will reach into the home with its butter and ice cream and fluid milk. That type of co-operative having products to sell to the consumer must advertise and does advertise. Our Co-operative Creamery is in the position of selling to non-members a product in convenient form so it is competing with other firms for the consumer's dollar in the rugged competitive fashion. It does a considerable amount of advertising. If that is your question I think a member of that Co-operative would be all in favour of an advertising programme that would increase the sale of his product in a convenient form.

Now, that is opposed on the other side of the coin to the member of the consumer Co-operative who by and large is not anxious to see some of his





savings spent on advertising. He does not want to read the ads, he patronizes them because he owns them. A member of the producers' Co-operative is in favour of an advertising programme to increase the sale of his farm-produced product. A member of the consumers' Co-operative is not so much in favour.

COMMISSIONER COUVRETTE: In your opinion with the cutting down of much of that publicity, what effect would it have on the sales? I am trying to form an opinion on the subject because we have heard about undue publicity and so on. I am wondering if cutting down heavily on that publicity would mean a lot of damage to the producer.

MR. FOWLER: Again I say there are two factors involved. If you cut down the advertising proportion for the producer or marketing Co-op you will injure your member. There is a Co-op here which has an enviable record. It does a minimum of advertising. It has spent money on Co-op education to sell the idea through meetings and various other media. We have a house organ which is sent to all the members with the Co-op story in it.

Here is an illustration of a Co-op that has done remarkably well with a very minimum of formal advertising programme. That is a consumer Co-op. The consumer Co-op, I think it is a fair statement, has to do considerable advertising.

MR. HAMILTON: I think Mr. Mumford



suggested that advertising is an investment and pays off in terms of increased volume of commodities sold.

COMMISSIONER COUVRETTE: It is selling cups without saucers, maybe.

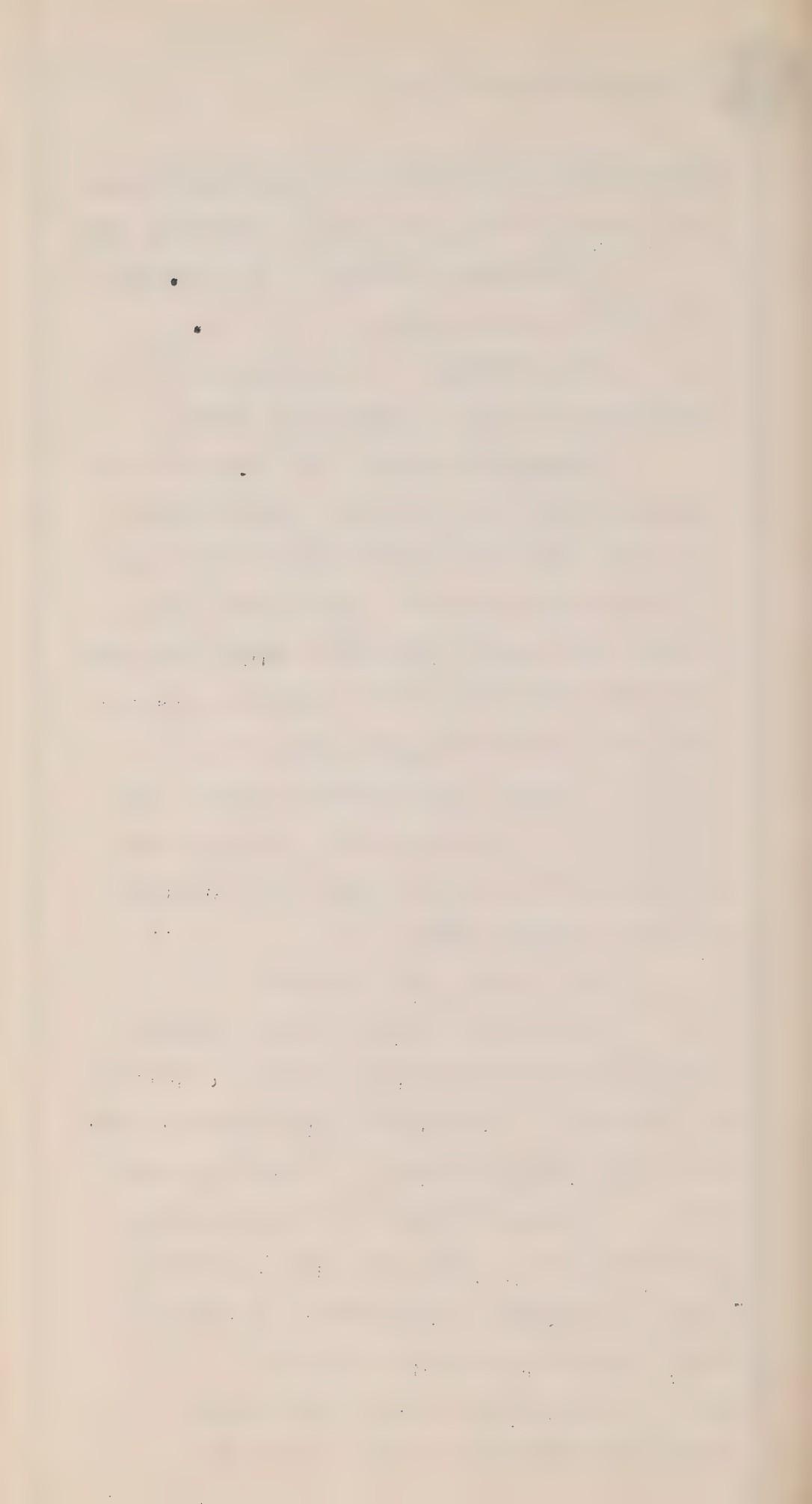
MR. HAMILTON: We were thinking of a more unobtrusive type of advertising, really.

COMMISSIONER WALTON: You have your own Co-operative labelled products. You had quite a few in the store this morning; I didn't have time in the short visit we had to examine them, but in your brief, page 11, an earlier mention was made of the fact that this sort of competition, the same product in cans with different labels, how do you work it out in your own Co-operative store? You have your own Co-operative bread; at least, I saw it displayed there with a wrapper which I believe is made by another company?

MR. FOWLER: That is right.

COMMISSIONER WALTON: And it competes with other bread with different labels, or unwrapped as it may be. You have had several products there, your Co-operative fish brand -- I believe it came from your part of the country (indicating Commissioner MacKichan). What about the Co-operative rows of vegetables, facial tissue -- do you just carry that one Co-operative brand name?

MR. FOWLER: No, we would like to. I think I used the phrase before, to be pure. We





haven't reached the stage of Utopia that our membership will trust those charged with the job of procurement to procure for them products of quality.

In theory that ought to be true, and probably a great number of people competing can make a better choice than the average consumer in this very complex age. We therefore say that when our Co-operative label goes on we are trying to have not more than one or two other brands, and we are not very successful. We just don't know whether we should take an arbitrary position when a person comes in and wants to buy a certain brand of coffee which we don't have to send them out or attempt to meet them. We try to meet them in some way. Through education we try to educate them to our brand because we tell the store that the brand, the Co-operative label is a label of quality. It is carefully selected and carefully selected placed. We use the colouring of red, blue and green in lieu of the fancy, choice and standard, and we have not carried on enough education about that. There is some confusion about it.

COMMISSIONER WALTON: There is about fancy, choice and standard too?

MR. FOWLER: I don't know what is the answer there, but we do that. When you buy a Co-operative label you are getting a product of quality at a fair price, and through that label you concentrate the purchasing power that results in ownership. Now



the usual steps are these.

In coffee, when we have enough volume we go a private blender or manufacturer and say we want X quantity under our label, and we want to check the standards. So for a number of years we went to a blender to put up **our coffee**. We

Our volume now is sufficient that we have along with other regional wholesalers a blending and roasting plant in Vancouver. This makes additional savings for the members, so the purchase of the Co-op label can be an assurance of a product of quality at a fair price, and an avenue to ownership.

An outstanding illustration is told here that by buying co-operatively we now have a refinery which has a competition value of about \$20 million, and all the cash the people ever put \$32,000, and they got it just by simply buying Co-operative label gasoline. That is an oversimplification, but it is a fact.

There is a great deal of confusion about labels, and we are somewhat hazy. We are conducting a sort of miniature royal commission, if I may use that term, in our staff on the whole question of the Co-operative label, and if this Commission or anybody has any ideas we would like to take a look at them.

COMMISSIONER WALTON: I was just interested in the Co-operative cannery where you put your own label on. You had sufficient quantity to have these



labelled with your own brands that came back from the other companies. You found in your experience that was an unnecessary added cost?

MR. FOWLER: Well, we haven't achieved the goal that we wanted to achieve through the Co-operative label. We thought we would be able to have in the smaller stores nothing but Co-operative labels, and in the smaller stores you will find buyers from Saskatoon or Prince Albert or Regina, and they may move there, and they have been told about Co-operatives and would like to try this Co-operative idea, but they expect the same kind of labels as they had, and we have to meet them a bit, and so we are disappointed that we have not made as much progress in the Co-operative label programme as we had hoped.

COMMISSIONER WALTON: But you have not adopted the orthodox or unorthodox manner of advertising or promotion? You have done it through the educational work which you have been trying, but you have paid advertising costs to?

MR. FOWLER: Yes.

COMMISSIONER WALTON: A different form.

MR. FOWLER: We have tried to do it our way. Maybe we are wrong. I wish I knew the answer to some things but not everything.

COMMISSIONER DRUMMOND: Just two questions.

Among other things you mention in the first brief, I believe, that there is the Saskatchewan Honey Producers



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Honey Producers Co-operative. I understand also that apart from your Milk Board the only marketing board existing thus far in the province is the Honey Producers Board. I am just wondering what is the distinction between the Honey Producers Board and the Saskatchewan Honey Producers Co-operative itself, why you need the Board when you have the Co-operative?

MR. HAMILTON: I can't answer the question, quite honestly. There is some confusion in my mind, I must admit, as to what is the difference between the Saskatchewan Beekeepers Co-operative Association, for example, and then the one we have referred to. I think that largely the Honey Producers Co-operative is a Co-operative for the purpose of assembling requirements rather than the selling of the honey, but I am open to question on that. I don't know.

MR. FOWLER: Perhaps I may make this general statement. You see, there is this sharp difference between purchasers marketing and Co-operatives, and consumers using our refinery, as an example. We want about 120 million to 150 million, and we have an economic market. As long as we know we can make those substantial savings then the fellow who takes to buying his products from other refineries cannot have an impact on our operations. We have got an economic unit, and if we take maybe 20 per cent of the business, or maybe take 50 per



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cent, we have got an economic unit as long as there are enough members who will patronize us. But those factors do not obtain in a producers Co-operative.

A producer can market maybe 50 per cent, so we say hypothetically, of the volume produced among its membership, the other 50 per cent outside staying outside can wreck the market and render impotent the operation of the Co-operative, as I see it. I am not an expert on this, and there may be others who are attending this meeting and who may be presenting a brief in opposition.

I think generally the marketing Co-operative if it is to be a fully -- hit a full impact on the price -- must have the assistance of marketing boards. I think that is the story of the Honey Co-operative, and that while it has the majority of the product the few who remain outside can break the market and therefore render inoperative the combined efforts of the seventy or eighty per cent.

I feel I am answering the question of a man who perhaps knows a lot more about it than I do.

COMMISSIONER DRUMMOND: It is a tremendous subject and very important.

My other question relates to your statement on page 7 of the second brief where you state that there is definitely an over-extension of facilities necessary to serve the consumer with food, and the



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implication is that those things definitely contributed to the width of the spread during recent years.

Now it is generally realized, I think, that the last few years has been a period through which there has been a very pronounced expansion, not only along this line but along economic lines generally in this country, and in this part of this country. Do you feel that this general expansion can be thought of as over-expansion, or do you think that during a period of expansion such as we have had, over-expansion of marketing facilities is inevitable?

MR. FOWLER: Well, under a competitive system it is perhaps inevitable that stores looking to the future say: "We are going to establish a store here, knowing we are going to have losses for a number of years."

Whether that is sound or not, I am not prepared to say, but that loss is an uneconomic expansion at this point in time and shows itself up in excessive spreads.

COMMISSIONER DRUMMOND: There is no question at all but that expansion of facilities and the growing width of the spread certainly cancel in point of time. It is a question as to the extent of the cost factor and relationship.

MR. FOWLER: I think it is a factor. One



of the things that is brought out in the U. S. News Report, which I filed, and it was brought out in other briefs, is that there is a climbing of the spread and perhaps what you are saying there and what I am saying is that that is one of the factors in an ever-widening spread.

COMMISSIONER COUVRETTE: There is only one more point. On page 8, about at the three-quarter mark of the page, it seems you wanted to resist a lot of pressure on the consumer's part before you handle a certain brand. Would you not say that it is a matter for the retail outlets to try and service the consumers whether they want and like it?

MR. FOWLER: Well, somebody has described democracy as that system of government which lets people make their own mistakes. Perhaps we are all wrong in suggesting that the spreads are too wide. Few people are complaining about them and the consumers induce them by uneconomic habits. Perhaps we have not the right, as a Co-operative organization, to be the police dog of their economic destinies, by suggesting these things are wrong. Nevertheless that is the way we feel about this particular item.

I do not want to mention the firm's name, I do not think it is fair, but I can show you the store, and the consumer did not require in any way,



shape or form that additional brand and to buy it meant that the consumer was going to pay more eventually, I think, because you just don't get rabbits out of a hat.

You are not going to use six feet of space for shelves when four feet will serve, and your shelf space in the store is your revenue-producing space.

You do not increase your efficiency at all. You are not going to get more of this particular commodity for the same price. You are just going to increase costs.

Maybe we have no right to say we are the guardian of the economic destiny of the consumer. Maybe we are taking in too much territory.

We feel that we should, inasmuch as whole groups in competitive enterprise, are looking the one way we think there ought to be some take a longer view and look the other way. That is probably justification for our acts.

COMMISSIONER COUVRETTE: I do not think it is anything that should be taken as against Co-operative in particular. The reason for my question was that we have to try to explain the spread in prices and find out whether it is fair and whether the reasons for it are fair, and so on. And it has come before us time and again that too much policity and too many brands, and so on, affect



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this and enlarge this spread.

If it comes to a choice between saying that that is so and that the consumers really want it that way, would you not think that that is the point, that we should consider the buyer?

MR. FOWLER: Well, I suppose so. I do not know whether that is something we could go along with. It has been suggested that we should hold the line and as a consumer I would say hold the line and do not be uneconomic in your operations, and if there are people foolish enough to want to get a store where they can buy these things, maybe they should go to another store.

We are trying to observe the middle course for our Co-operatives. If it looks uneconomical, our direct measures will be to measure them to some point in time when we will be more efficient. That is the middle choice we have chosen in this respect.

COMMISSIONER COUVRETTE: That brings another question. One always brings another.

On the preceding page, in the same paragraph, to which Dr. Drummond referred a few moments ago, I had a note there -- it looks to me that it was kind of a new attempt for controls that were more or less like the controls we had during the war period.

MR. FOWLER: To what page are you referring, sir?

COMMISSIONER COUVRETTE: Seven, in the



second brief.

MR. FOWLER: No. There is an implication there that we have chosen controls for the consumer organization to control its own destiny. We again do, shall we say. We do not think -- unless we are going to have a firm recommended economy -- you cannot start controlling a part of it without controlling all of it. I do not think it is desirable for our people. We think effective controls can be worked out for consumers in sufficient volume to organize and do their own controlling themselves. They ought to be there to do that.

COMMISSIONER COUVRETTE: I do not like to enter into any other questions.

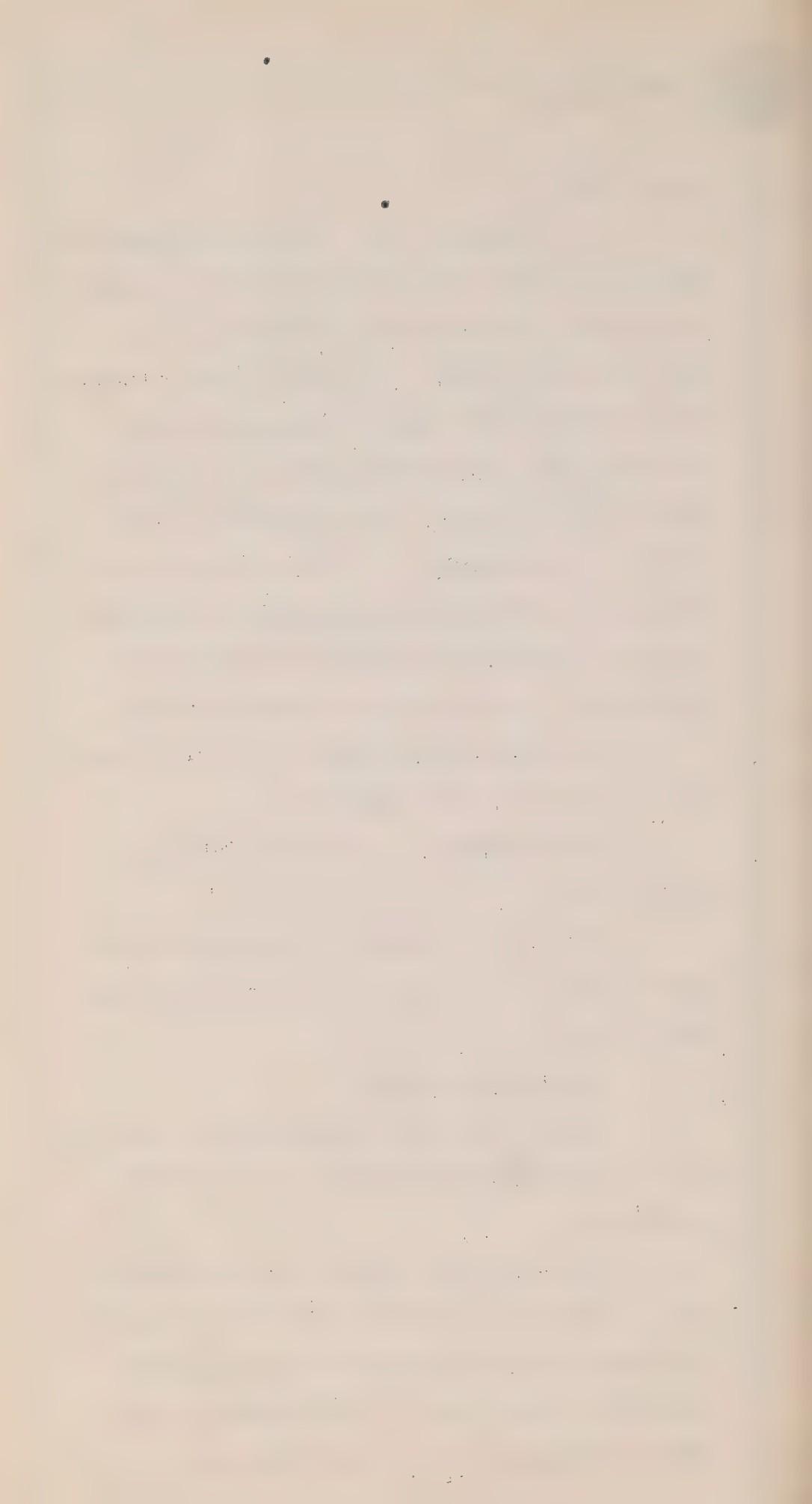
THE CHAIRMAN: I think this is a fine place to stop.

We are very grateful to you, Mr. Fowler and Mr. Hamilton. It has been a very interesting session to us.

We will now adjourn.

MR. FOWLER: Mr. Chairman, may I thank you for your very courteous treatment and very kind questioning.

May I say that perhaps our approach was a little conditioned by the fact that both Mr. Hamilton and myself have had experience in sitting on the other side of the fence. I was honoured to be a member of the Saskatchewan Royal Commission





on Agriculture and Rural Life. Mr. Hamilton was one of our secretaries.

We note that all of you have had your burden, I think, somewhat lightened by the presence of a very charming lady as a member of the Commission, as we had. Mrs. Walton has perhaps more doubtful times ahead. She has six men to watch over. Mrs. Adams only had eight.

Perhaps you have noted that Mrs. Adams, our fellow commissioner, has been selected to give the convocation address at the University of Saskatchewan and has been awarded an honorary doctorate. We hope perhaps that the patterns are being shaped that may have implications in other areas.

Again, thank you very much, Mr. Chairman.

THE CHAIRMAN: Thank you. We will now adjourn to open on April 28th in Fredericton, New Brunswick.

---Whereupon the hearings adjourned.

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